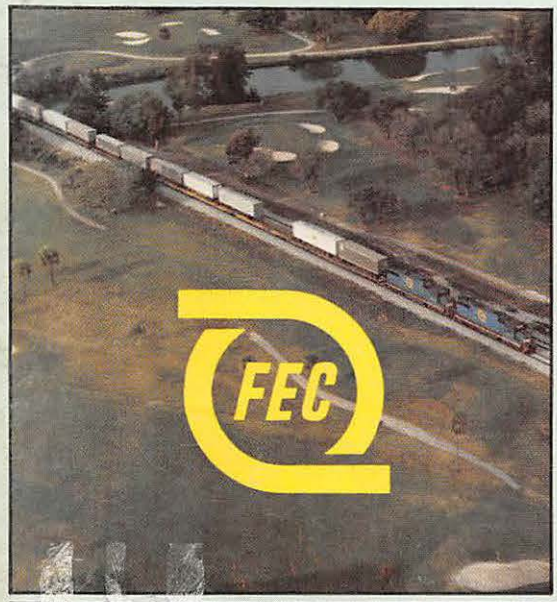
Illinois Central Gulf:
Slimming down and shaping up

November 26, 1979

RAILWAY AGE

The great railroads



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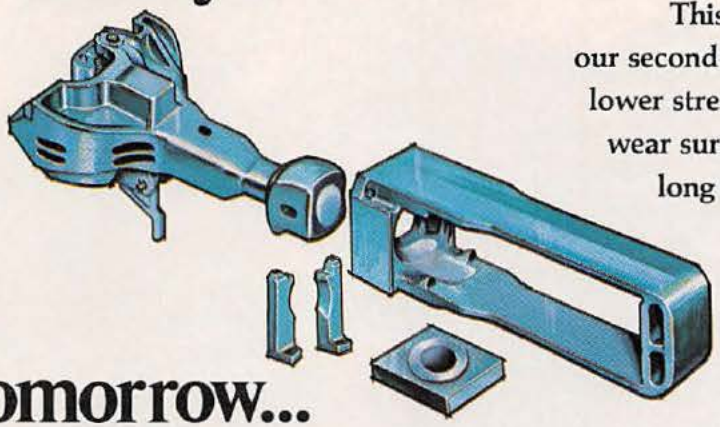

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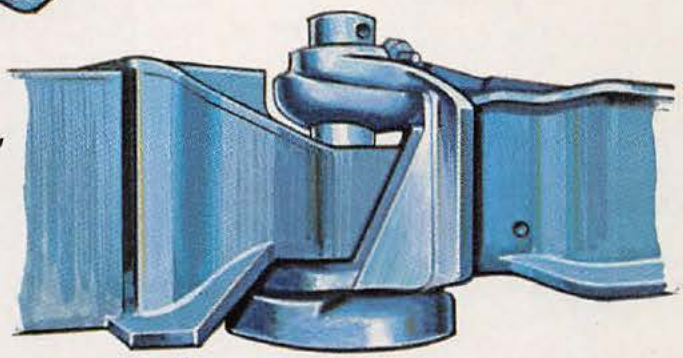

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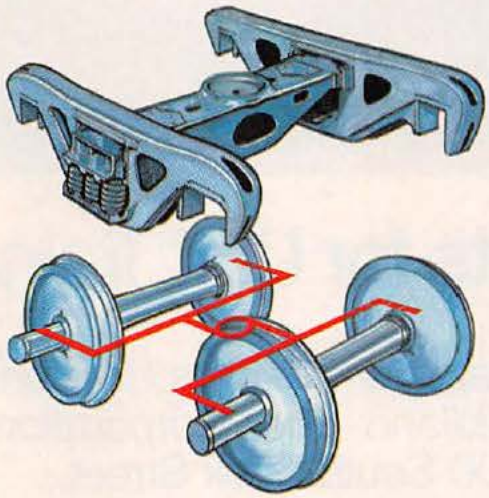

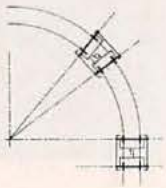

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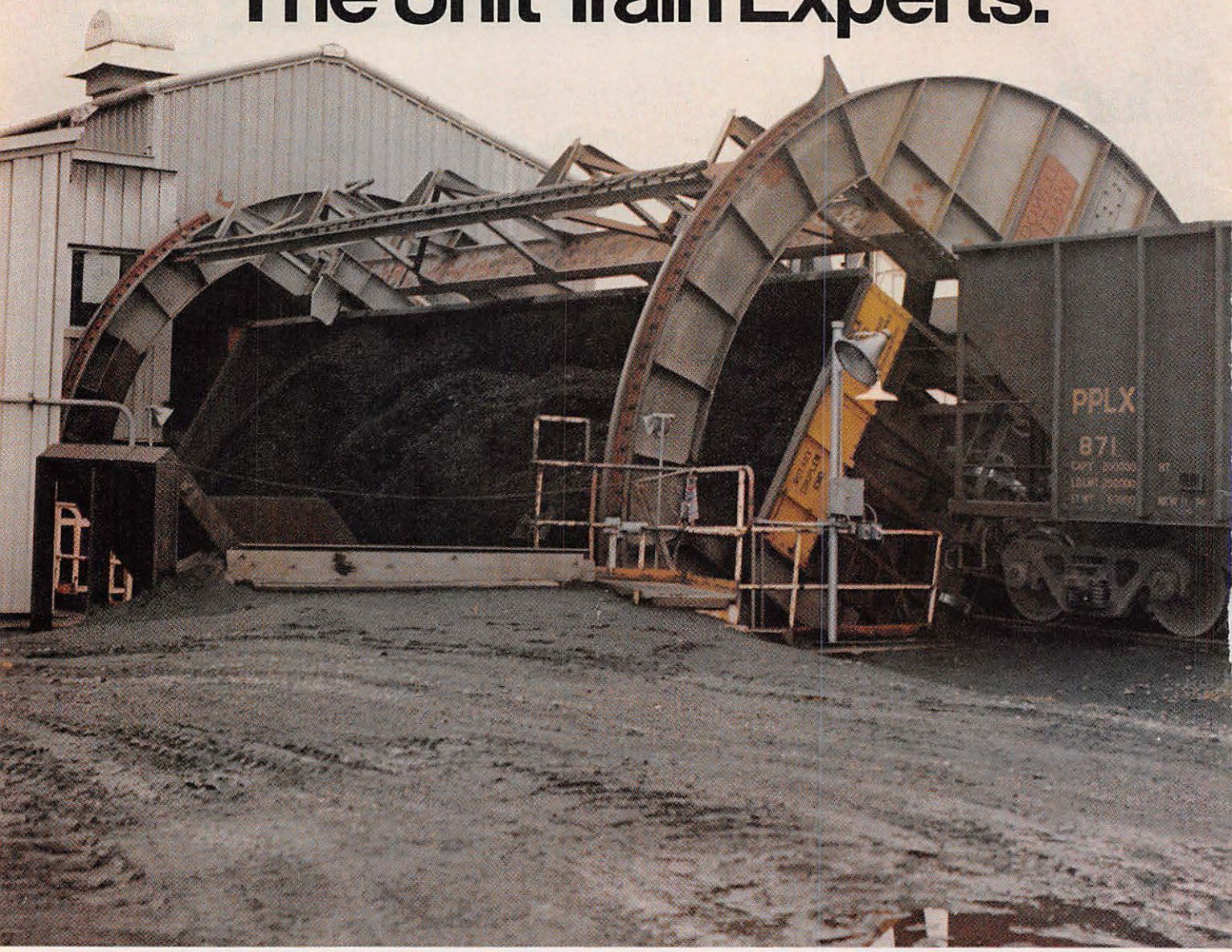

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RAILWAY AGE

November 26, 1979

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Page 46

26 **The great railroads** (FEC)

A railroad that specializes in low rates and high levels of service, the FEC today is one of the most modern and prosperous in the world—all because (say its managers) it stood up to the unions and now has, in effect, only one work rule: a fair day's work for a fair day's wages.

34 **ICG: Slimming down, shaping up**

Illinois Central Gulf officers, and those of parent IC Industries, strongly reject suggestions that the railroad is in deep financial water. Says ICI President William B. Johnson: "The railroad has been solvent, is solvent, and I expect it to stay that way."

43 **Are shippers ready for rate freedom?**

A.T. Kearney's James S. Heuer, who feels that there are relatively few "captive shippers," recommends that shippers learn more about costing, and re-examine their ways of doing business in order to use deregulation to their own advantage.

46 **Railview: The case for the Firewall**

Norfolk & Western's President John P. Fishwick restates the case for splitting up Conrail—into a potentially profitable Conrail West and an eastern terminal area that might require continuing federal subsidies.

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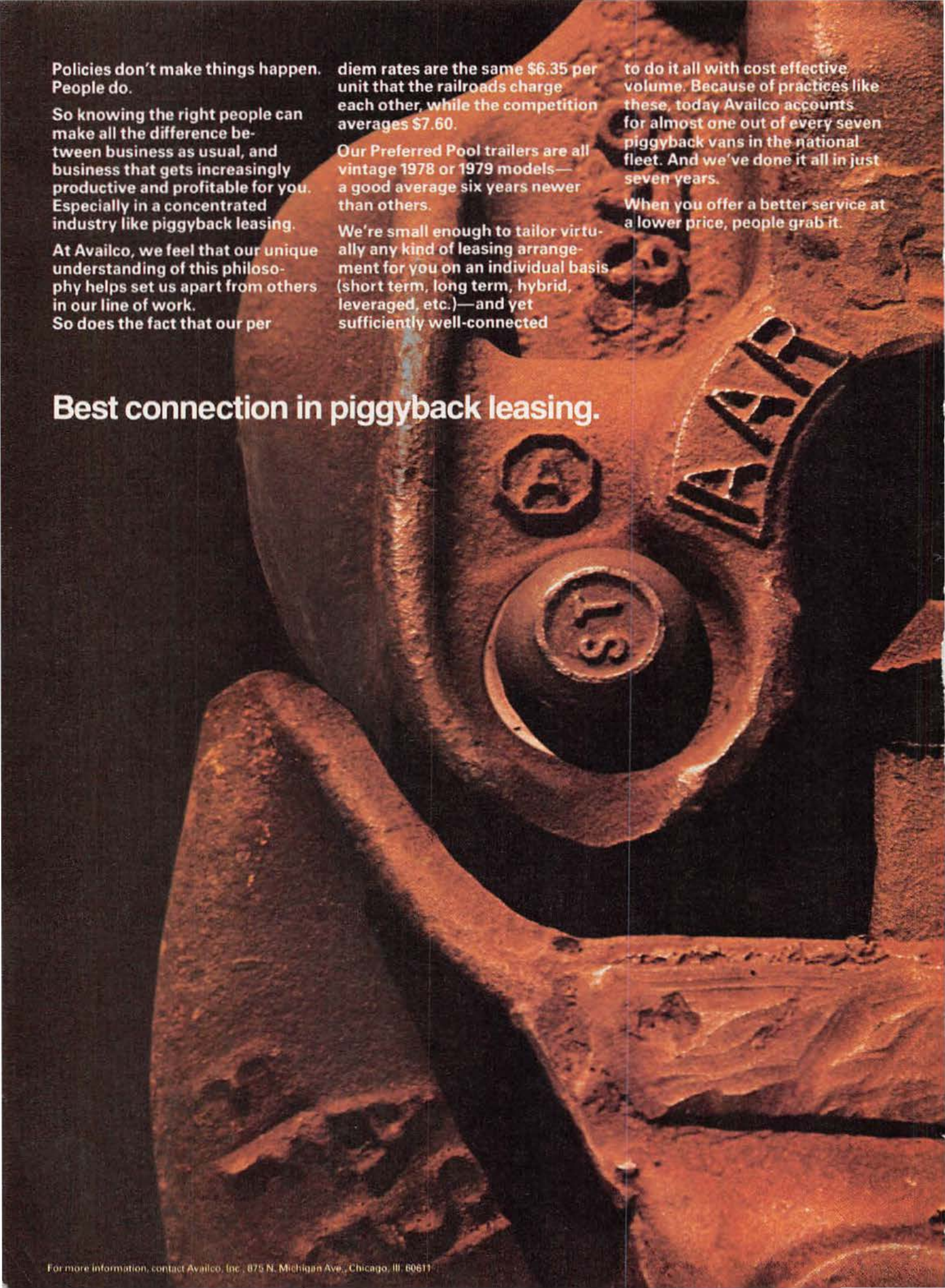
COVER: Clockwise, from the left—an FEC piggyback train; loading at Bowden Yard, Jacksonville; a stretch of track near Miami.



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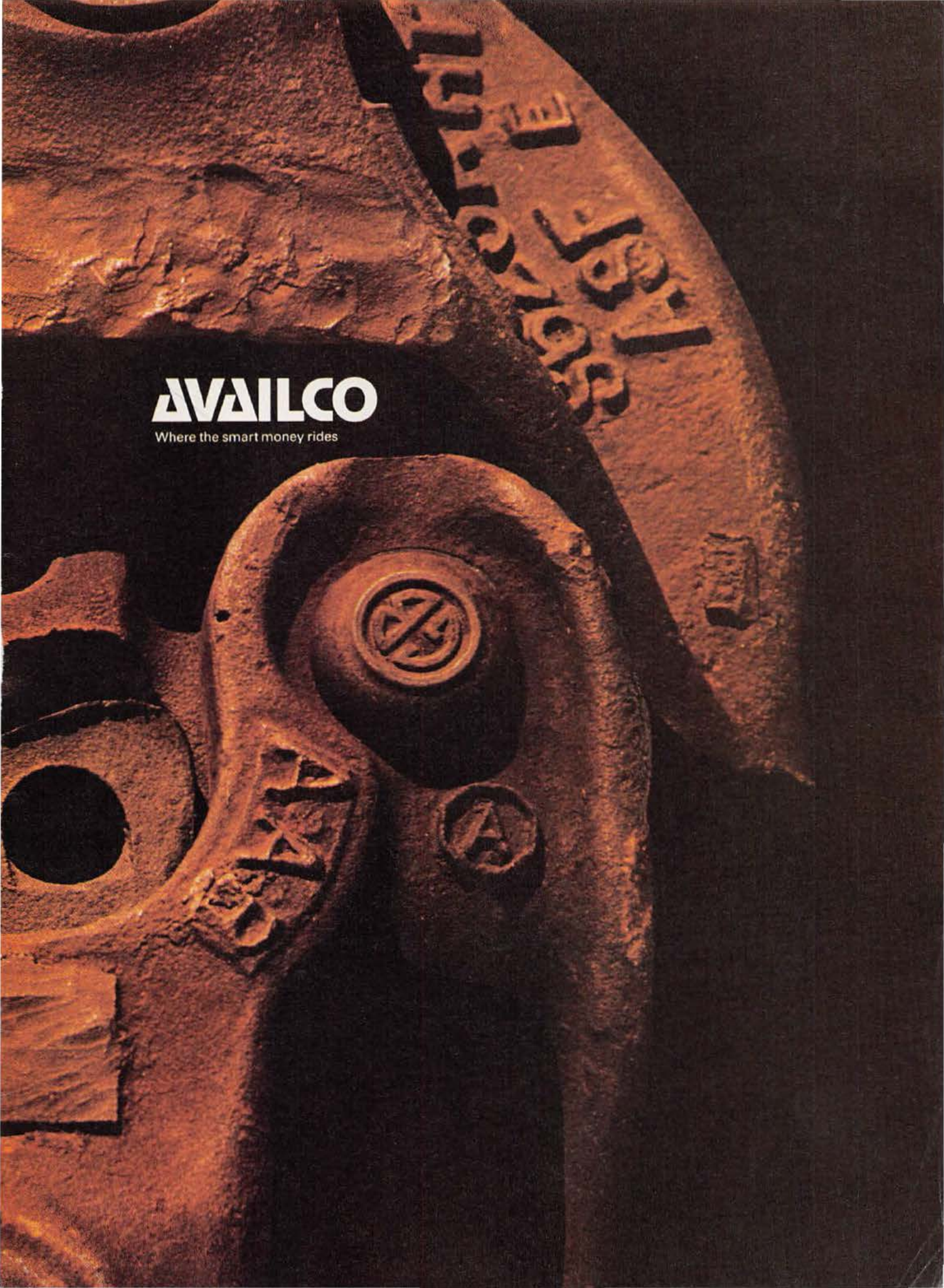
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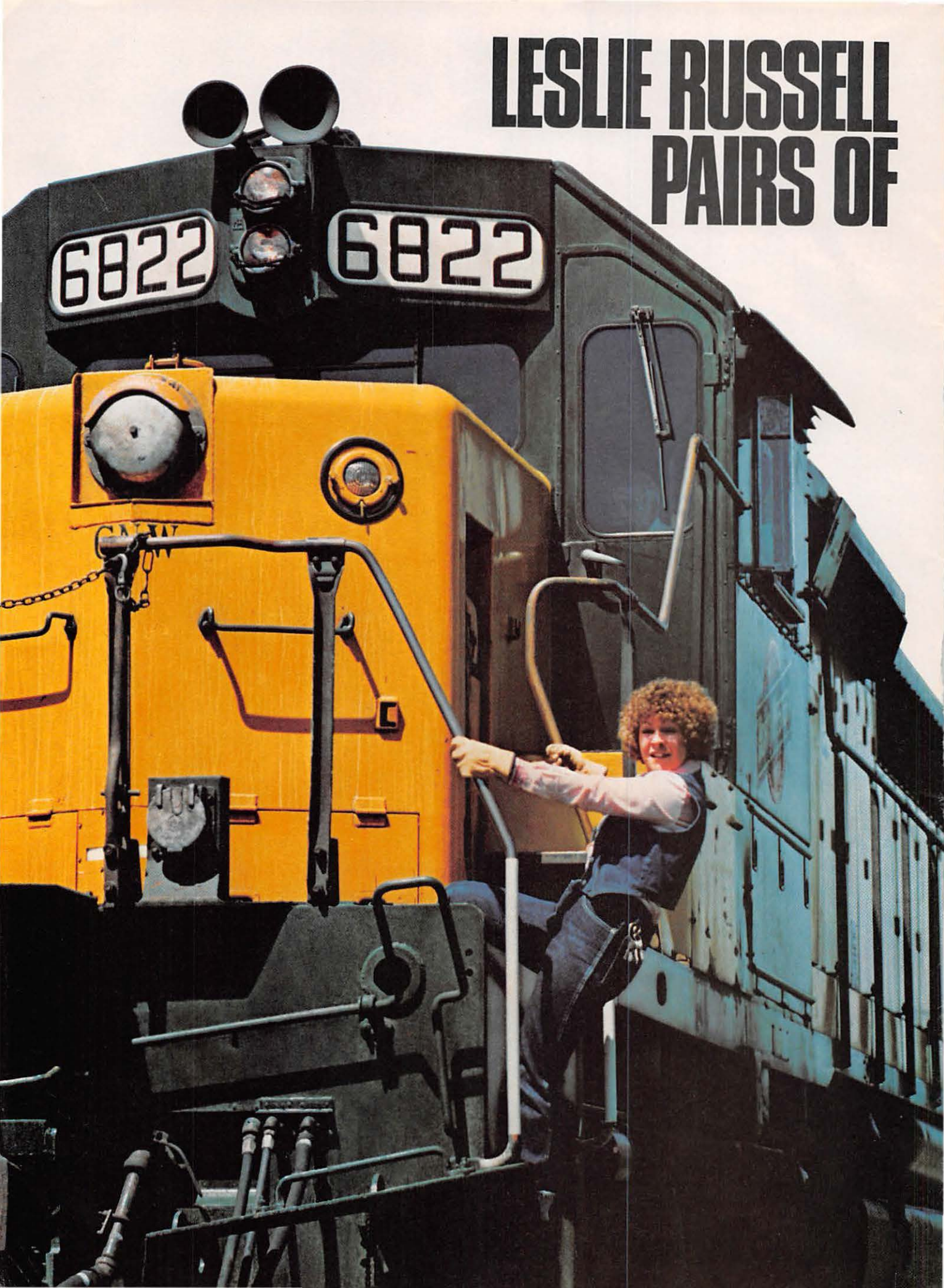

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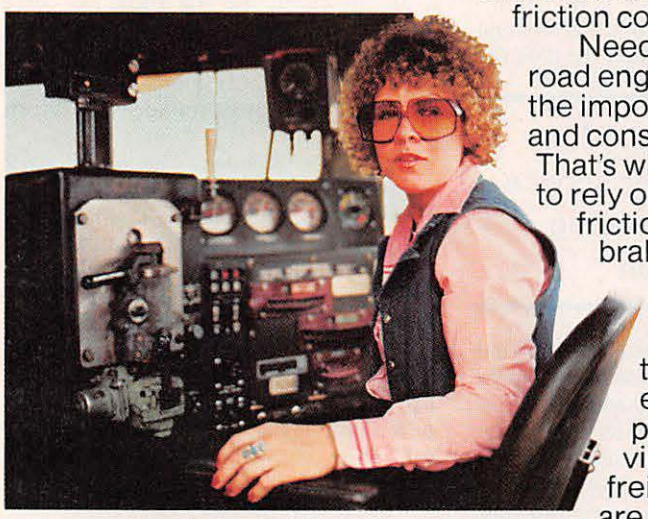

Chicago and North Western as a brakeman (brake*woman*?). After a year of study and practical experience, she earned her Engineer's Certificate, with some of the highest marks ever scored.

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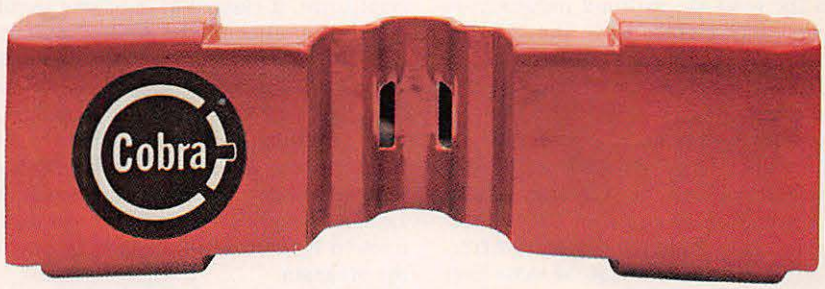

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A pool for all general-service cars?

It won't happen tomorrow or next month or even next year—but at some point down the road the railroad industry, on its own, may in fact solve the old, old problem of using the general-service freight car fleet more efficiently and economically.

The answer may lie in a proposal that the present fleet of railroad-owned general-service cars be converted into a pool, through suspension of the car service rules; cars could then be loaded freely to any destination, but at the same time there would be a balancing mechanism to protect car supply on the owning roads.

That sounds a lot like the basic principle of the Freight Car Clearinghouse, which has been in operation since 1974 and now has nine member roads. The new proposal does draw heavily on the Clearinghouse experience, but it also differs in significant ways:

—It would be national in scope, thus holding out the promise of greater utilization benefits. The Clearinghouse, as now constituted, represents about 28% of the fleet (seven car types) covered by the program.

—It would make use of a car-grading, maintenance, and last-commodity data system to insure that the cars a road gets from the pool are as good as the cars it has contributed to the pool.

—It would require any road that fails to deliver a car under the balancing mechanism to pay a car use penalty to the road that should have received the car. This provision, backers of the plan believe, would encourage compliance with the rules and help to compensate owners deprived of access to cars when the rules are breached.

In addition, during the times of car surplus, roads would be required to accept (or retain) surplus empties in exact proportion to their claim on cars from the pool during times of peak demand. Finally, over time, the industry would have the option of bringing car ownership into line with car use, rather than continuing in present patterns in which heavy originating roads provide a larger than proportionate share of car supply.

Basic work on the proposal has been handled by a task force headed by William F. Hillebrandt of Missouri Pacific and working through the Freight Car Utilization Research-Demonstration Program. Since the proposal was put in final form, it cleared at least one hurdle: A subcommittee of the AAR Committee on Car Service recommended "endorsement and support . . . in principle," and made specific proposals for testing the plan's usefulness; the full committee then called on the AAR Car Service Division to develop specific details for the control system, including specimen percent guidelines to be used in the balancing part of the program.

That is where matters stand now, with CSD working on the committee's request —and with several factors standing in the way of making haste.

One immediate problem is that existing data bases simply don't have the data (or don't have it in proper form) for the kind of application which the car management plan contemplates. For example, indications are that the car service committee was leaning toward an initial test involving 50-foot, single-door, plain boxcars—but that breakout is apparently not now available, so CSD is working with all 50-foot plain box. Other data problems will have to be solved in connection with the proposed car-grading system, with two or three quality grades to be established for each car type and with grading then entering into the balancing mechanism. This is a system that may have to be built from the ground up, and the committee may want to test it out before folding it into the overall management program.

New proposal calls for suspension of car service rules to permit loading to any destination

There is also the basic problem involved in surviving all the reviews and winning all the approvals that may be required. Even though the task force proposal is similar to the Clearinghouse program, it is far broader, and it does have differences in key areas. Looking down the road, it is not hard to see reviews and approvals having to come not only from the Committee on Car Service but also from appropriate committees in the mechanical and data systems areas before the plan can continue up the ladder—presumably through the Operating-Transportation general committee on its way to the AAR board.

Realistically, some observers are looking on out two years, at least, before a comprehensive test of the program can begin. Testing would likely take a year; some tinkering with the basic plan would no doubt be required; then industry acceptance would have to be secured—and all of this probably runs into 1983 or beyond before a comprehensive program can be adopted.

In any event, the task force has come up with a system designed to do three things: (1) provide cars to meet on-line loading demand, (2) improve car utilization, and (3) provide an adequate return to the car owner.

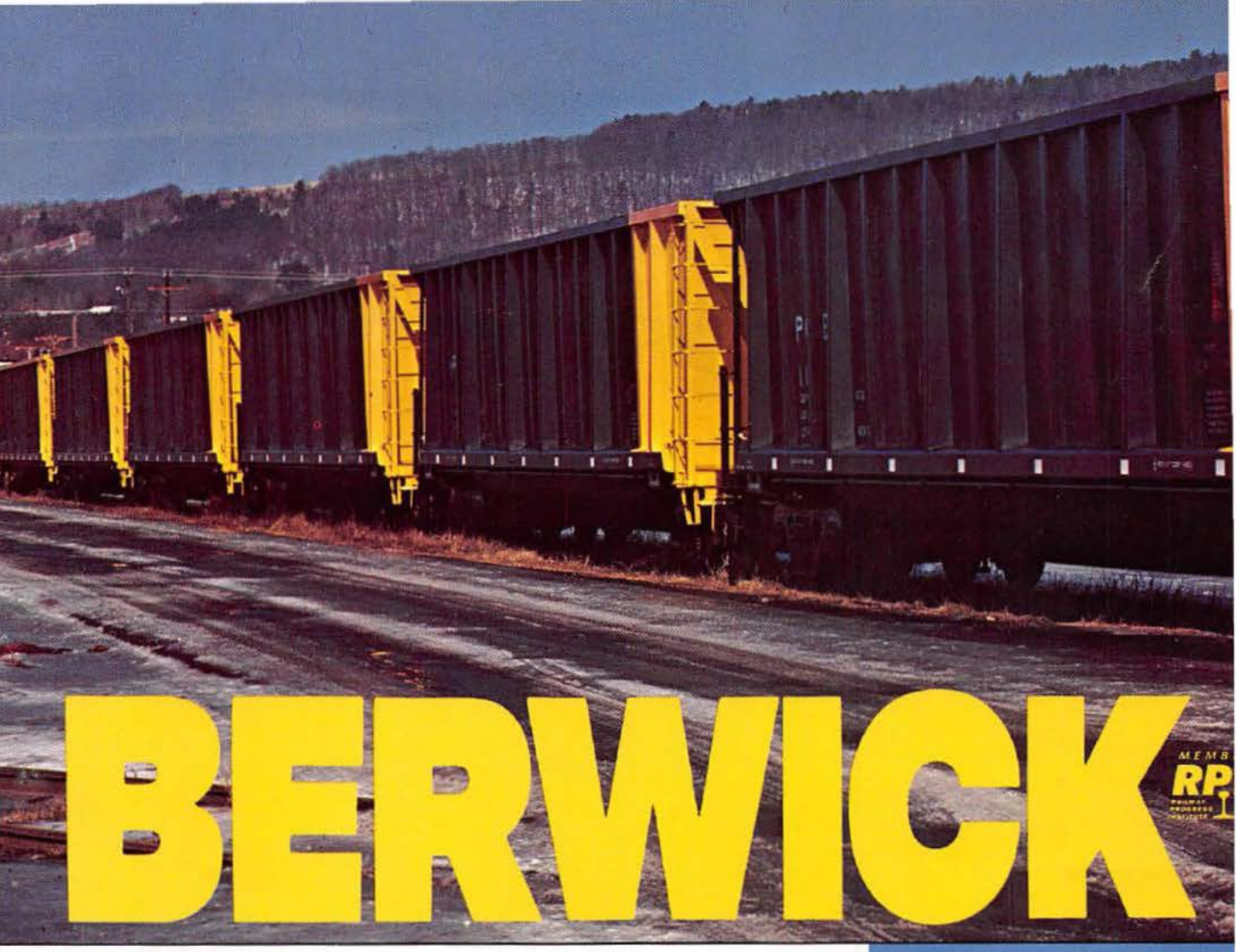
Donald G. Wooden, who was director of the now-completed Phase II of the Freight Car Utilization Research-Demonstration Program, recently outlined the "how" of it all:

"The system will meet the first objective by insuring that cars on line are of comparable quality to those owned, by directing payoff to beneficiary roads, by car use penalties to encourage compliance, and lastly by the improved car utilization that will result—which will increase the effective car supply.

"Improved utilization will come from the freedom to reload foreign cars, from the reduction in empty movement in paying off only the net car balances owed the system and by doing this with cars that are most conveniently located, from the elimination of empty cross-hauls during periods of car surplus, and from the disincentive to purchase cars in excess of loading needs just to earn off-line rentals.

"The system will provide support for the car owners' return on investment by supplementing his rental receipts with car use penalties if he doesn't get the use of his cars, but more importantly by improving his access to cars for revenue use and by improving car utilization."

As to the specifics, all cars managed under the system will be freely loadable. But, Wooden noted, "The number of cars that an individual road has on line will be subject to control by the Car Ser-



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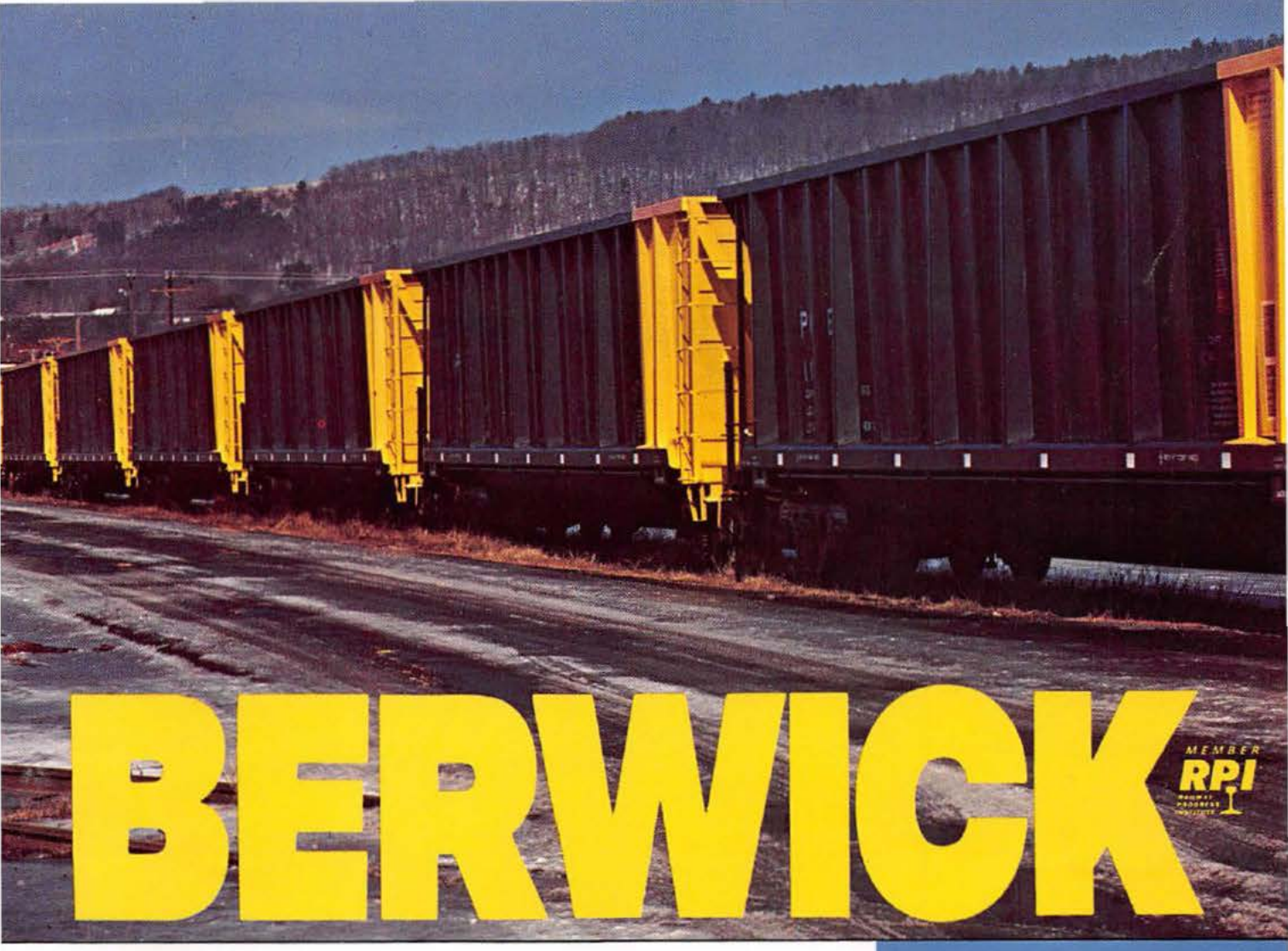

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vice Division. The guideline to be used will be the percent of ownership on line. Roads that now originate more cars than they terminate—and thus own more cars than they normally have on line—will have guideline percents less than 100, while the reverse will hold true for terminating and bridge roads."

The system will operate, day to day, in this fashion:

"When a road has less than its guideline percent of ownership on line, it can request help from the CSD. The CSD will then determine which roads are eligible to furnish the help—those roads that have more than their guideline percent on line. Using a computerized technique, the CSD will select redressing empty movements that are the least costly to accomplish and it will direct their execution within a specified time. Roads which fail to comply will be penalized for each car not delivered as directed, and the penalty will be paid to the road shorted, thus giving the shorted road compensation for the loss of cars for loading."

Wooden was emphatic on the need for setting up a grading system and then managing cars in groups that are similar in character and condition: "Owners who have provided cars of a good grade to meet their shippers' needs will not be satisfied to receive empties of lesser quality in lieu of their own cars. The Clearinghouse experience has taught us this, with one Clearinghouse member withdrawing because the quality of cars it received was unequal to that of its owned cars which stayed away from home."

The system proposed would establish a grade for each car, a grade which would be stored in UMLER and monitored through periodic grade checks at repair points. All roads would be required to maintain cars to their grade level, unless the cost would exceed a predetermined limit or a downgrading were acceptable to the car owner; maintenance costs would be borne by owners through AAR billing. Finally, a road holding a car would have available to it, through Train II, a record of the last commodity carried by the car, a record that would serve as an indicator of loading suitability and as a kind of running grade check.

As Wooden pointed out, to implement such an industrywide car management system effectively, "More work will have to be done to improve the Train II reporting on which the control mechanism will depend. More work will also have to be done to develop and implement the universal car-grading system and to improve the analytical tools used by the CSD to redistribute cars optimally."

But, Wooden also emphasized, the rewards will be worth the pains of getting the system born: "We strongly believe in its overall merit—and that the value of the improved utilization potential could significantly improve the financial performance of the industry."

Watching Washington

Joint rates: Compromise but no consensus

An ad hoc alliance of powerful railroads and a new rail industry spokesman—recently deposed Secretary of Transportation Brock Adams—are urging Congress to adopt a "compromise" on the tricky joint rates question as part of a rail deregulation bill. The proposal, promoted by the newly formed organization TRAIN (Transportation by Rail for our Agricultural-Industrial Needs), has brought into the limelight the bigger divisions within the rail industry over the rules for setting joint rates. The success of the rail deregulation effort may lie in the balance.

Call it a compromise, but it's far from being an industry consensus. Immediately following TRAIN's presentation before the Senate Commerce Committee Nov. 8 was a panel of rail executives who vowed to oppose any deregulation bill containing the TRAIN language. "The new proposal is totally unacceptable," said Southern's L. Stanley Crane. "If it would become part of the bill, we would not be able to support the bill."

The opposition of Crane and others has so far carried the day within the Association of American Railroads, whose current stand for the status quo is based on a 16-4 vote by the AAR board. "Protracted and intensive efforts" to find a consensus position within the industry have failed, AAR President William Dempsey told the Commerce Committee. "In my view, a bill containing a joint rate provision broadly opposed within the industry would be a bill that would itself be broadly opposed regardless of its other provisions."

Seeing a dead end in that direction, five railroads (Conrail, Southern Pacific, Santa Fe, Union Pacific, and the Chessie, with the support of the Chicago & North Western) formed TRAIN to push for change in the existing joint rate procedure, which requires agreement among all railroads that are party to a joint rate before the rate can be changed. Conrail, which had been the most outspoken proponent of change, advocating complete and immediate removal of controls over joint rates, was induced to get behind the more limited TRAIN proposal. Hence, the "compromise."

The TRAIN proposal would allow a railroad to add a surcharge unilaterally to its portion of a joint rate, in order to increase revenues to cover its variable costs.

Since 70% of the nation's rail traffic moves under joint rate agreements, TRAIN argues that flexibility in making joint rates must be part of any effective rate deregulation package. "Without joint rates reform, we believe regulatory reform will fail," said Adams.

Joining Adams before the committee were UP's John Kenefick, Conrail's Edward Jordan, and SP's Benjamin Biaggini. Biaggini told the committee that opposing railroads were unduly frightened of Conrail. "Our railroads also connect with Conrail," he said. "Yet, we in the West, and the Chessie, which is Conrail's most significant competitor, believe that this compromise is in the railroads' interest and the nation's."

In rebuttal, Southern's Vice President (law) James L. Tapley said, "The railroad in trouble is not apt to be as sensitive to shipper needs as are its partners who are not in trouble. . . . The so-called compromise now being proposed by Conrail will not solve its problems and will create tremendous problems for the rest of the industry."

Thomas S. Carter, president of the Kansas City Southern, was even more direct: "I'm pleading with your committee not to try and save Conrail by killing off many smaller railroads."

A legislative shortfall?

On other provisions of the new Senate bill, industry reaction was fairly united. The principal objection was to a proposal to phase out general rate increases over six years, "This would be so devastating," testified AAR President Dempsey, "that the industry would have little choice but to oppose the bill notwithstanding the benefits that could flow from other portions of the legislation." Some industry officials proposed a compromise which would protect general increases while DOT and the ICC studied the railroads' inflation cost problem.

No other industry objections were of the same magnitude, Dempsey said, but he expressed opposition to provisions that would let the ICC determine how much equipment a carrier could devote to contract service, open to the public rate bureau meetings, ease the way for entry of new railroads, and require reciprocal switching agreements.

On the whole, however, Dempsey liked the bill, calling it an improvement over the Administration's attempt. "If modified, this bill would be a modest step forward," he said. "But if this were to be the end of deregulation efforts, we would have a legislative shortfall to go along with our capital shortfall."

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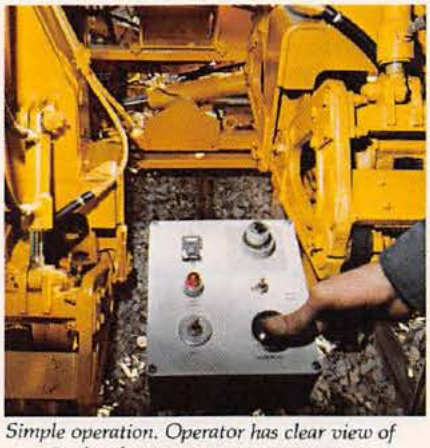

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NITL compromises on rate deregulation

Striving for "accommodation" with railroads, members of the National Industrial Traffic League (NITL) decided Nov. 15 that they could budge, after all, in their stance against looser rate regulation. They did so at their annual meeting at Minneapolis by scaling down their demands for continued Interstate Commerce Commission authority over maximum rates and their opposition to "no suspend" rate zones.

Discussions of rate flexibility had a tone of "NIT League's last stand" as members voted for substitutions for three rate-making sections of S. 1946, the "Cannon bill," (*RA*, Nov. 12, p. 8). The substitutions, drafted by a special ad hoc committee Nov. 13, were viewed as a compromise allowing some rate flexibility while protecting "captive" shippers.

The substitutions represented changes in NITL positions previously adopted, which included support for continued ICC authority to set maximum rate levels and opposition to any "no suspend" zone, such as proposed in the legislation introduced Oct. 29 by Sen. Howard Cannon (D.-Nev.), chairman of the commerce Committee.

"To protect shippers, in deed as well as words," NITL's proposed substitution says, "the ICC should, not less than annually, determine the current 'variable' costs and a threshold ratio under which it will not exercise its suspension powers. Additionally, the ICC shall set a zone within which the ICC may exercise its suspension power. Above this zone, the ICC must upon protest exercise its suspension power."

In other words, NITL wants three rate zones, only one with mandatory suspensions. The first would be the "threshold" zone. It would include all rates below a floor based on ICC-determined variable costs and reasonable return, rates for which there would be no suspension (also known as the zone of reasonableness).

The second would be the threshold-to-ceiling zone, including rates above variable costs/reasonable return, or maximum rates for which suspension would be possible but not automatic.

The third would be the above-ceiling zone, including rates above maximum levels for which suspension would be required, under protest.

What standard would ICC use for determining the variable cost threshold ratio? NITL says it should be "the results of the most efficient rail carriers and provide for a fair return." ICC also should determine the inflation cost factors, which should be based on actual costs incurred, NITL says, and "variable costs, threshold rates, fair return, zone of reasonableness, and inflationary cost factors should be divulged under administrative agency rule-making procedures."

The zones proposed by NITL represent variations of important rate-making sections of the Cannon legislation. Section 106 of S. 1946, on maximum rate regulation, calls for a threshold below which there would be no maximum rate regulation, based on a revenue/variable cost ratio of somewhere between 140% and 160%, to be determined by the ICC. Discriminatory procedures, however, would still apply. "This threshold stands as a surrogate for market dominance," William P. Dempsey, president of the AAR, told NITL members before they voted.

Section 103 of the Cannon bill, on rail cost adjustment increases, provides that railroads could raise rates above the threshold to cover inflation, and increases up to 8% could not be challenged, though here, too, discriminatory provisions would apply.

Finally, Section 104, on a rate flexibility zone, would provide a no-suspend area for rate increases not exceeding 4% of the base rate, adjusted for increased costs under Section 103. Any part of the 4% increase not implemented during one year could be implemented the next year, so long as the total increase for one year did not exceed 8% and for any five-year period 12%.

Shippers want three rate zones, one of them with suspensions required following protests

Calling S. 1946, specifically its rate-making section, an acceptable "interim" process for getting accustomed to greater rate freedom, Dempsey said the AAR would support the bill—except for its six-year phaseout of general rate increases. He said that would deprive railroads of a sure mechanism for recovery of inflationary costs. "It's the one provision that, unless changed, for us would be a killer," said Dempsey, citing 10% annual inflation for railroads. "It is that inflationary phenomenon that has brought us to general rate increases." However, Dempsey said AAR could accept some restriction of general rate increases.

It was the general rate increase issue that brought the closest vote on rail matters at the NITL meeting. The special committee had proposed modifying the league's position to support a gradual phaseout of general freight rate increases "by limiting them to demonstrated cost changes, and then, to a declining percentage of such cost changes." The modification was narrowly defeated. That left standing NITL policy for elimination of general freight rate increases for profit improvement purposes.

As for contract rates, the league approved a substitution for Section 106 of S. 1946 to insure that such rates would not unduly impair the railroads' ability to carry out their common carrier obligations, a position shared by Dempsey. NITL reaffirmed its support of contract rates filed and published under present notice requirements (Section 114 would exempt contracts from normal traffic rules).

Although the Cannon bill, reflecting rail industry disagreement, contains no clear provision for joint rates, the league reaffirmed its support for legislation authorizing the ICC to require establishment of through routes and joint rates. "We believe that the ICC should retain jurisdiction, and that all joint rates should be subject to the maximum rate provisions of this legislation," NITL said. "While recognizing that no carrier should be required to handle shipments at a rate below variable costs, we believe that the solution to such problems should be a mandated, expedited ICC proceeding rather than the imposition of surcharges."

Dempsey told NITL members that AAR was "remarkably enough, united" on all provisions of S. 1946 but not on joint rates. AAR board members recently voted, 16 to 4, against any existing proposal for changes in the joint rate mechanism, he said.

Introducing the proposed substitutions for provisions of S. 1946, members of NITL's special committee cited the urgent need for compromise. "Reevaluation of our position on rate regulation is an important first step in seeking accommodation with the rail industry," said Committee Chairman Charles A. Kelly, manager-transportation research and analysis for Alcoa. He said opposition to a no-suspend zone, for example, had to be reconsidered because legislation would likely include it anyway.

John Ollweiler, Amex general traffic manager, said adjustments such as those proposed by the special committee were needed to prevent the league from becoming known as the "Neanderthal Industrial Traffic League."

Special committee members included, besides Kelly and Ollweiler, James R. Abbey, general manager, Charter Oaks Shippers Cooperative Association; Don A. Boyd, commerce counsel, E.I. duPont; Kenneth A. Kumm, transportation manager-purchase commodities, Minnesota Mining and Manufacturing Co.; Stanton P. Sender, transportation counsel, Sears Roebuck and Co.; and Fred H. Tolan, freight traffic consultant, Univar Corp.

Clinchfield clears a derailment...fast

It is 9:45 a.m. when the radio crackles in the chief dispatcher's office at Erwin Time freight 95 has a car off at mile post 168.5. It's a covered hopper loaded with 80,000 pounds of phosphate at a remote location on a ledge between a mountain and the Toe River, 35 miles to the south.

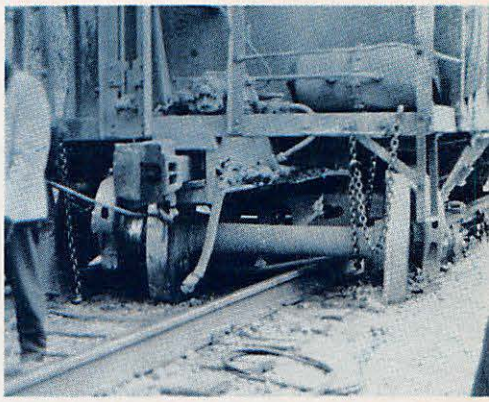
At 10:06 a.m. a Chevrolet truck equipped with Hy-Rail and a National crane is dispatched to the scene with an M. of E. crew and a Hoesch rerailing system.

How the Clinchfield cleared its busy main line fast and efficiently is shown in the photo sequence below.

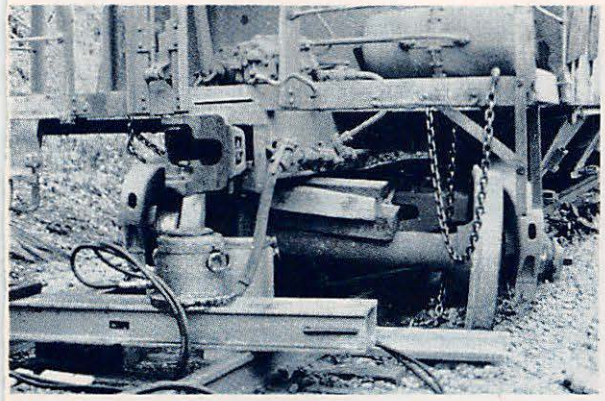
In addition to the time savings, this method of rerailing involves only a very small fraction of the old manner in which a wreck train would have been required.

10:56 a.m.—Crane truck is jockeyed from nearest road crossing, 1-1/2 miles from derailment, to main track for Hy-Rail operation.

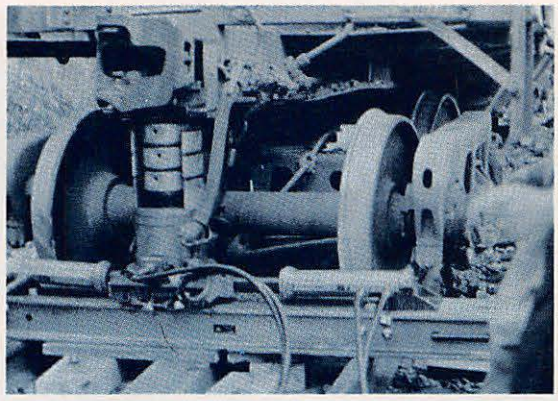
11:02 a.m.—Crane truck, moving backwards in order to be positioned against derailed car, moves to derailment site.



11:08 a.m.—At arrival, crew finds heavily loaded car with forward truck at near right angles to rail.



11:37 a.m.—Hoesch hydraulic rerailer is positioned under coupler, with lines connected to compressor on crane truck.



11:52 a.m.—Hydraulic jack has raised truck clear of railhead and moved it laterally, positioning wheels for rerailment.

12:16 p.m.—#95 is rolling at restricted speed with cripple in tow to be set out at first side track.

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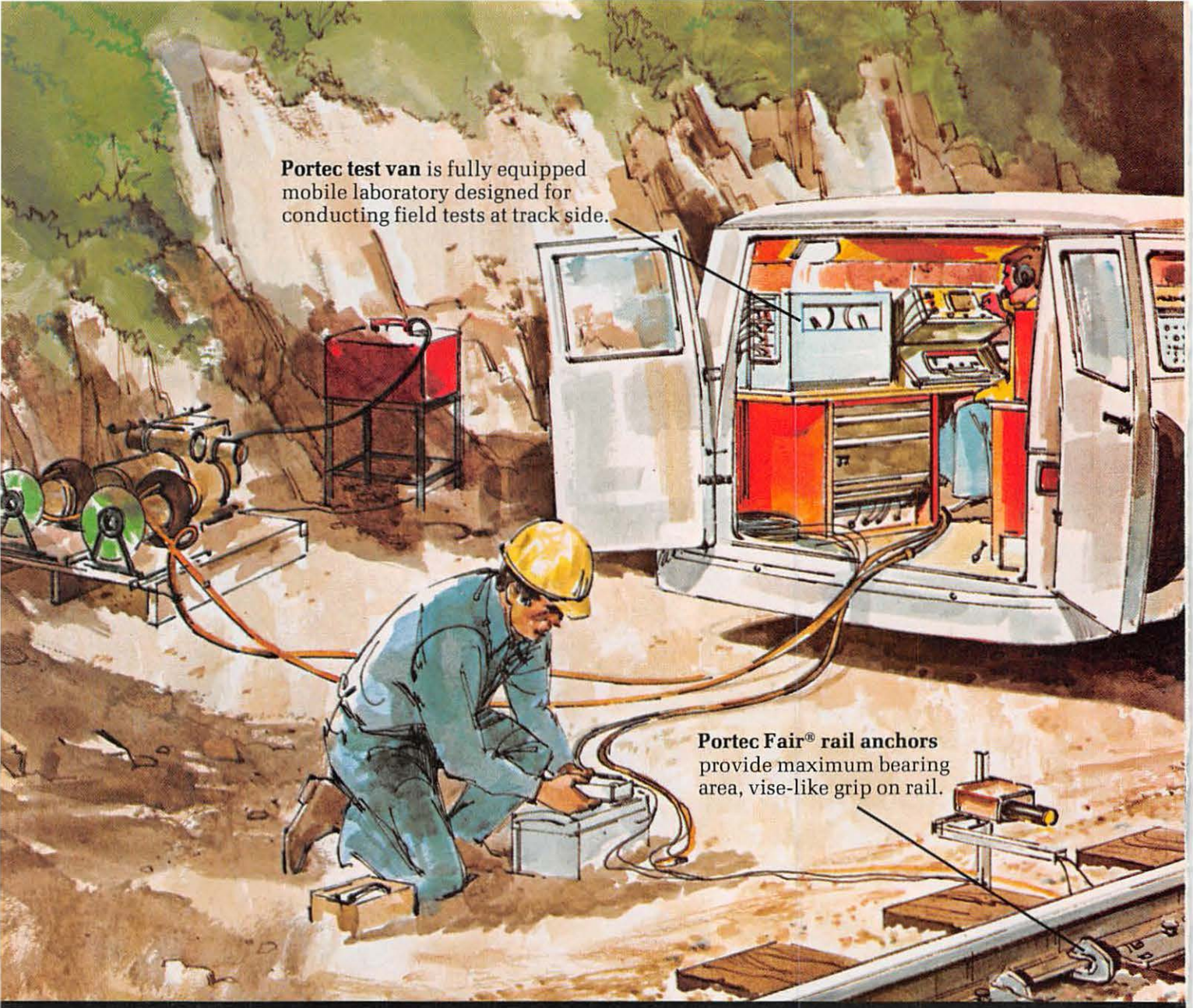
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Lines on Labor

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LABOR AND RESTRUCTURING

One law does not policy make, perhaps—especially when it's a pieced-together, patched-together law that's rammed through on almost an emergency basis. Still, it may be useful to look at certain provisions of the Milwaukee Railroad Restructuring Act as they apply to labor-related matters, useful in the sense that what Congress did in this case may give a clue to its thinking regarding "restructuring."

EMPLOYEE OWNERSHIP—WITH A LONG STRING ATTACHED

Under the new Milwaukee law, all or a substantial part of the railroad *could* be converted into an employee-owned (or employee/shipper owned) company, *if* the backers of such a plan can come up with one by Dec. 1, *if* the ICC finds the plan feasible and approves it, and *if* Milwaukee's reorganization court finds it fair and equitable to the estate. What has to enter into a finding of feasibility? Well, the commission has to determine, for instance, that adequate financing will be available to proponents of the plan, that the plan can be implemented by next April 1, and that the railroad to be operated under the plan will be self-sustaining. But that's not all: In order to be found feasible, the plan must also contain an assessment of all operating practices and include agreements by labor and management to make implementing changes designed to achieve labor productivity increases consistent with safe operations and adequate service—which increases may involve and include work rule changes. Work rule changes, contemplated by legislation? Well, now . . .

EMPLOYEE PROTECTION—ALSO WITH A STRING OR TWO

Interesting, too, are congressional expressions with regard to employee assistance and protection. For one thing, employees separated or furloughed prior to next April 1 because of a reduction in service will have priority for available jobs on other railroads—*if* the ex-Milwaukee employees are judged best qualified, and *unless* the jobs on the other roads are filled in accordance with an affirmative-action or similar plan. As for outright protection, the new law established supplemental unemployment insurance for employees separated prior to April 1, 1984, through restructuring, and appropriated up to $5 million for such payments. It also gave Milwaukee management and employee representatives 40 days in which to negotiate a broader protection agreement, with possible help from the National Mediation Board. But what if negotiation and mediation fail? If that happens, the law requires the parties to enter into a fair and equitable agreement—or, as one observer asked, "How's that again?" Oh well, in any event, the law limits Milwaukee's liability under any employee protection plan to $75 million and it provides for 4R Act loan guarantees of up to $75 million to fund such a plan. It also, however—going back to the matter of employee ownership—contemplates the possibility that proponents of such a plan will ask employees to contribute their labor protection claims. There's more—including appropriations for new-career training and for reimbursement of the Railroad Retirement Board for certain administrative expenses it may incur—but the employee ownership and employee protection provisions are the main eye-catchers in the law. Government concerning itself with labor productivity improvements and changes in work rules? Government putting a cap on payment of labor protection claims? Government was also interested in such areas, of course, in connection with the creation of Conrail—but there is a least a feeling, now, that each time government is forced to explore these matters, it becomes more and more "interested." And, perhaps, less and less inclined to let labor duck responsibility? It might be worth thinking about.

The special committee's report covered 24 sections of S. 1946 and recommended substitutions, reaffirmation of league policy, or no action at all with regard to 14 of those sections. For the remainder, the committee recommended out-and-out support. NITL members followed the committee's recommendations in all but two instances. One was rejection of the proposed adjustment of their general rate increase position.

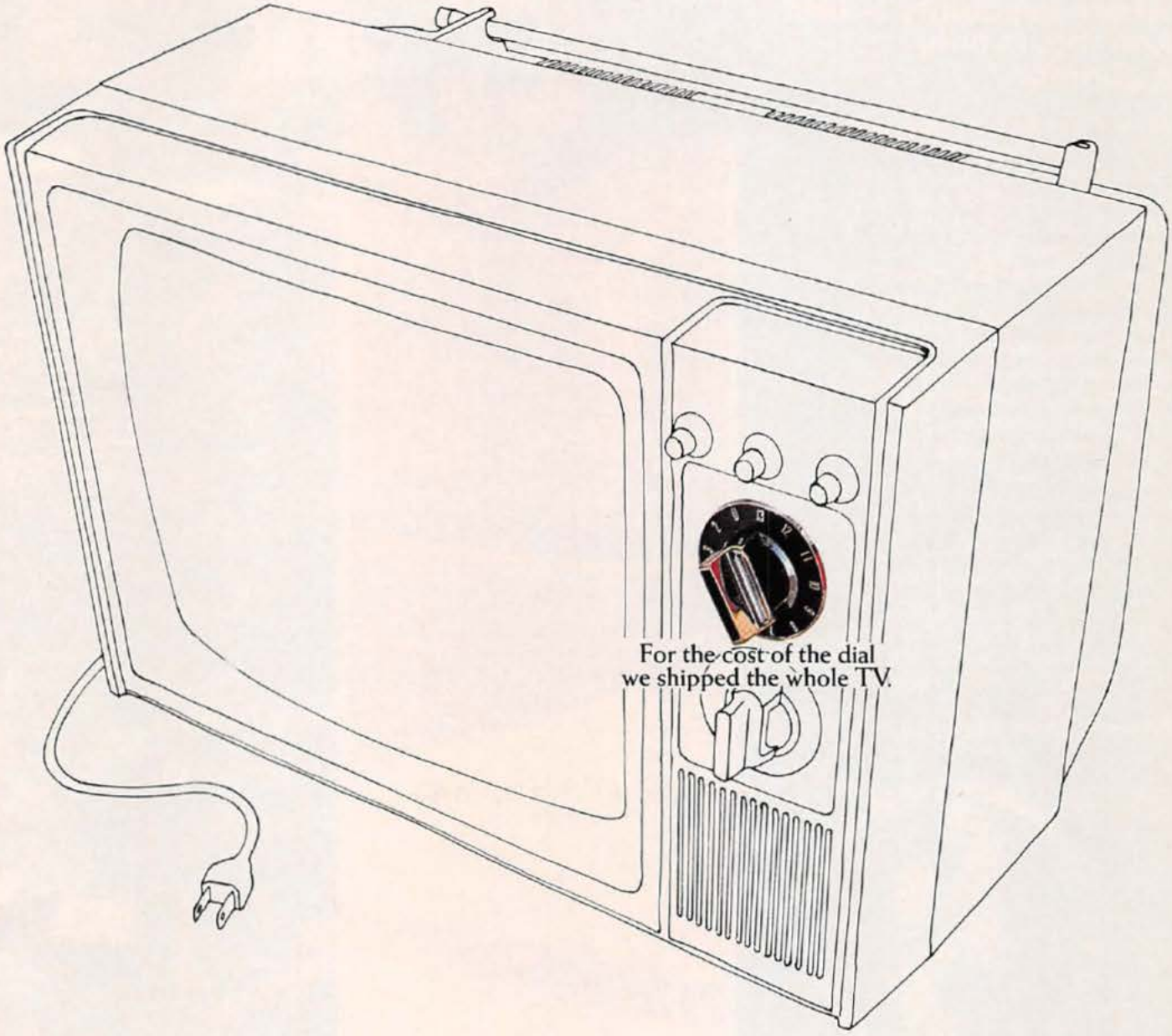
The other was rejection of support for Section 114, on notice and publication of tariffs. Besides recommending support, the committee had proposed a reduction in time elements for handling investigation and suspension proceedings so that a protest might be filed as late as seven days before the effective date of any rate change. Members as a whole voted to reaffirm original NITL policy for present notice requirements.

Bond issues win in N.Y. and N.J.

Voters in New York and New Jersey on Nov. 6 approved transportation bond issues that will help pay for $1 billion worth of rail commuter, transit and freight improvements.

A $500-million Energy Conservation Transportation Bond Issue approved in New York will launch a program of rail improvements totaling $847 million. Of that total, $400 million will come from the bond issue; $300 million will be provided by a Triborough Bridge and Tunnel Authority bond issue for which voter approval was not required; and $147 million will come from federal funds. The money will be used to pay for 260 new and 280 rebuilt subway cars for New York City; 70 new m-u cars for the Long Island; 60 m-u cars and 15 rail diesel cars for service on Conrail commuter lines; construction of $100-million Long Island car storage yard near Penn Station in New York; rail freight improvements in upstate New York; and improving the line between New York and Buffalo to permit operation of Amtak's turbotrains at 110-mph speeds.

New Jersey's $475-million transportation bond issue includes $150 million for mass transportation, principally railway electrification projects and the acquisition of 50 new diesel-hauled commuter cars. The rail program calls for extension of electrification of the New York & Long Branch from Matawan to Long Branch; modernizing the existing electrification of Conrail's Erie Lackawanna lines to make it compatible with other Conrail electrification and thus permit the running of Erie Lackawanna commuter trains into New York's Penn Station; and extension of Erie Lackawanna electrification from Dover to Netcong.



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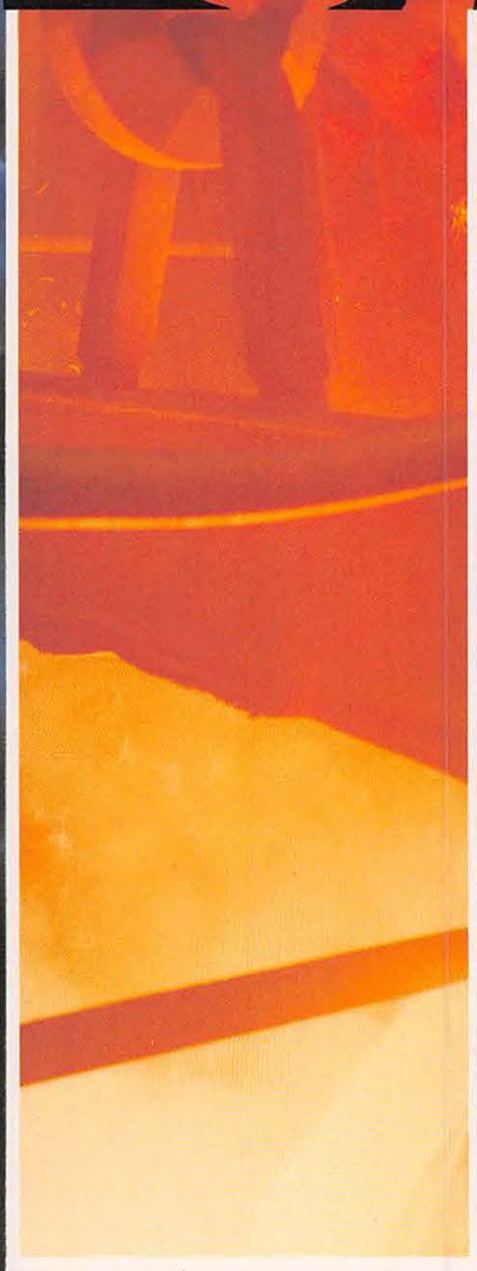

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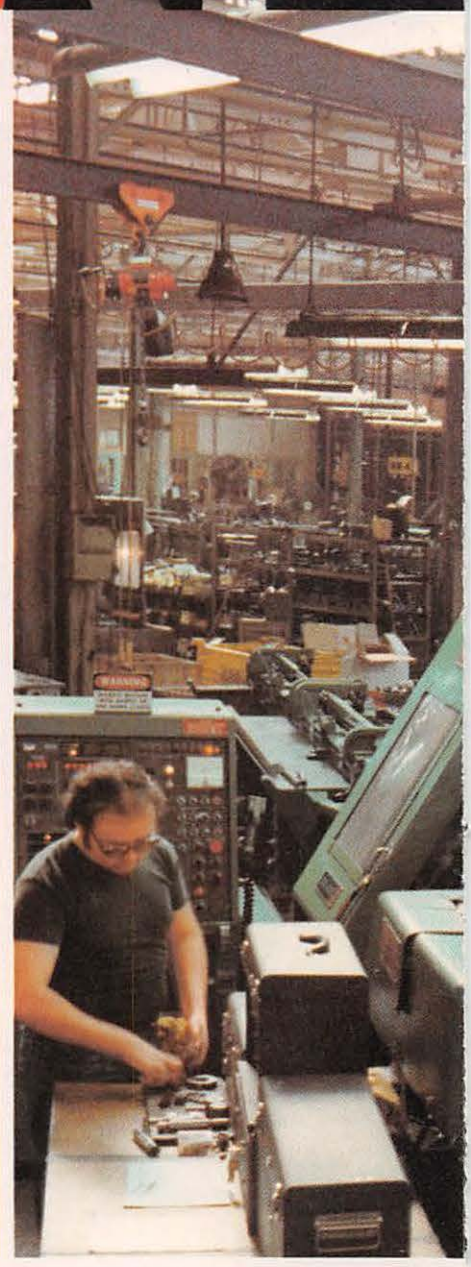

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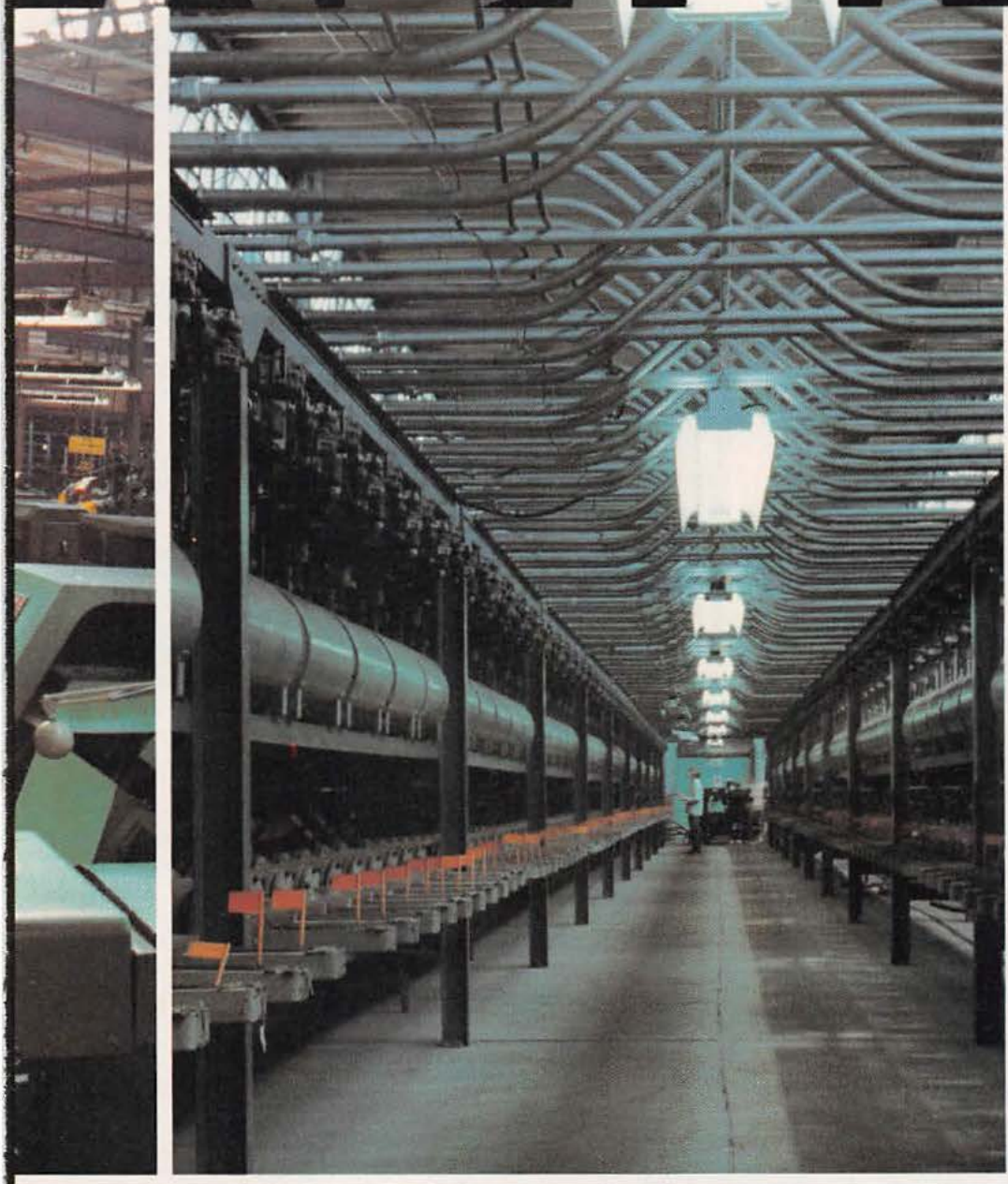

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The great railroads FEC

Florida East Coast: "We dared to be

By LUTHER S. MILLER, Editor

Most railroads have, at one time or another, waged war against work rules that inflate their costs, severely curtail their ability to serve their customers, and keep costly equipment idle much of the time. But only the Florida East Coast has fought the war to a successful finish. Why haven't more railroads followed FEC's example? The question is often put to FEC President W.L. Thornton, and he recently answered it in these words:

"It's a tough question, and before I try to answer it I would like to call to your attention several relevant facts.

"The FEC still has the same, if not more, competition than it did in 1963.

"We still pay the same property taxes as we always did.

"We still have the same, if not more, regulation from the Interstate Commerce Commission and State Public Service Commission.

"Our competitors still have the same subsidy assistance they always have had in the way of public interstate highways and fully maintained waterways and ports.

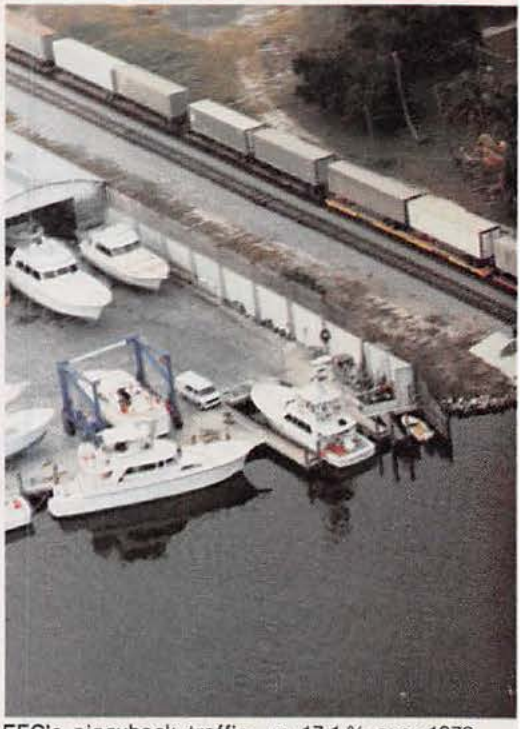
"The point I am making is that aside from its physical condition, the only basic difference in the FEC today and in 1963 is the work rules—the environment in the way of competition, regulation, and in other ways is unchanged.

"This brings us to the undeniable conclusion that many in the industry, in government, and particularly in the unions, do not want to admit that the major problem in the railroad industry is the lack of productivity caused by featherbedding rules. When you get down to that hard fact, no one wants to face up to it.

"As a consequence, the rail industry chooses to see the remedy to its problems in Congress rather than in a direct and concentrated effort to change the work rules. This has been the direction for a number of years, going back to the formation of Conrail."

"Railroads must realize that their real enemy is lack of productivity."

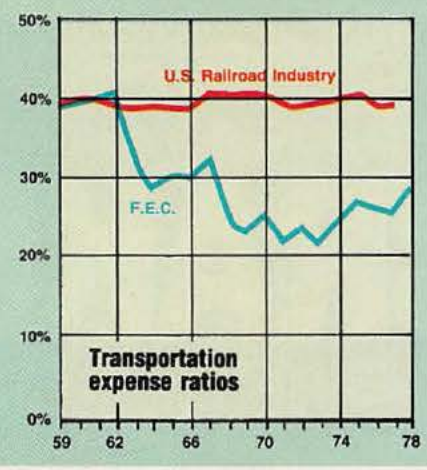
—W.L. Thornton
President, FEC

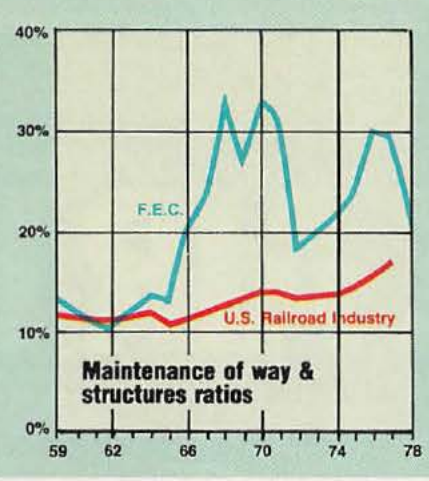


FEC's piggyback traffic, up 17.1% over 1978

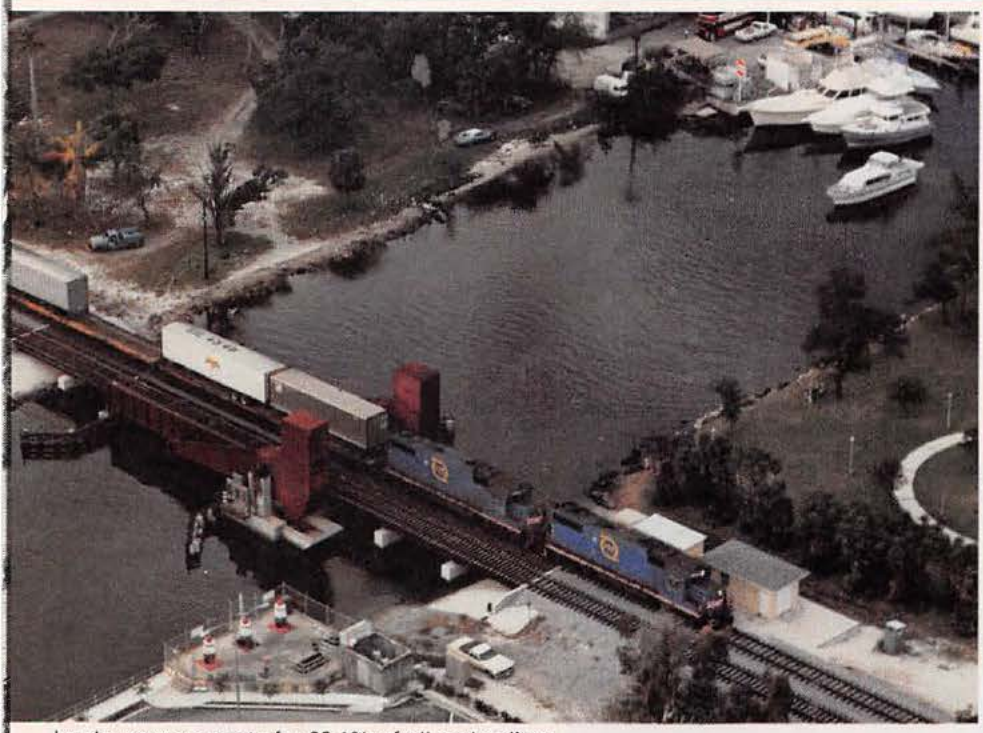
Thornton made these observations in a talk before the fall meeting of the Railway Fuel and Operating Officers Association in Chicago. In a subsequent interview with *Railway Age*, he addressed himself even more bluntly to the question: "With the propensity today of government to bail out companies that are failing—for example, Chrysler and Conrail—there is less pressure on both management and labor to succeed. Today there are no consequences for failure."

● **No bailout in '63.** Things were different, recalls Thornton, just a few years ago: "Back in 1963, when the FEC had been shut down for 10 days and we were faced with the decision of either submitting to the unions' demands or undertak-





different"



levels, now accounts for 36.1% of all carloadings.

ing to operate the railroad ourselves, we came to the conclusion that no one was going to help us, certainly not any government agency or Congress."

So FEC took the strike, ran its trains with supervisory personnel until it could recruit a whole new work force, fought off sharpshooters and dynamiters on its property and platoons of union and government lawyers in the courts—and in the process forged its own set of work rules, which really boil down to a single rule: a fair day's work for a fair day's pay.

"We dared to be different," says Thornton—and the difference today between this feisty little railroad, which successfully defied the unions, and most of the rest of the railroad industry, which so far hasn't, is the difference between 20th- and 19th-century railroading:

—The FEC spends only 29.5 cents out of every revenue dollar on labor costs. The bite for the industry as a whole is 53.8 cents. If other railroads could pare their labor costs down to FEC levels, they could save nearly $5 billion a year.

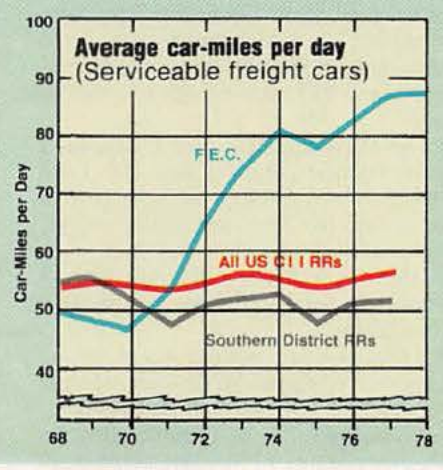
—During the five-year period 1974-1978, FEC reinvested 31% of its gross earnings in capital improvements to its plant and equipment. If other railroads had reinvested at this rate, they would have plowed $29 billion back into their property instead of the $10 billion they actually spent.

—The average freight car on the FEC traveled 88.1 miles a day in 1978, up from 50 miles 10 years ago. Average daily car mileage for all railroads last year was 59.5 miles, up from 53.5 miles in 1968. Achieving FEC's daily car utilization would represent a 47% improvement for the industry, the equivalent of adding more than 700,000 cars to the national fleet.

"I am convinced," says Thornton, "that the railroad industry can achieve what the FEC has achieved once they come to the realization that their real enemy is the lack of productivity and resolve to do something about it."

It took a 30-year bankruptcy, and the threat of another one, to bring FEC to that realization.

● **The way it was.** Henry Morrison Flagler built the Florida East Coast Railway late in the 19th century to haul wealthy tourists to the "American Riviera" that he had created along a strip beginning at St. Augustine and spreading gradually down to Miami and Key West (the Keys portion of the railroad was abandoned after it was ravaged beyond repair by the great hurricane of 1935). Flagler soon was hauling not only tourists in, but citrus and vegetables out, and the railroad prospered until it was caught up in the Florida Boom of the 1920s. The



crash sent FEC into receivership in 1931; it did not emerge until Jan. 1, 1961. By that time, Edward Ball had won control of the railroad for the Alfred I. duPont Estate and had become chairman of the FEC's board (a position he still occupies, with crusty vigor, at the age of 91.)

The FEC did not seem destined to stay out of bankruptcy long. Says Thornton: "It was overstaffed. It had losing passenger trains. It had just lost a substantial portion of its freight business that moved via car ferries to Cuba because of the rise in power of Castro, and it was beset by competition from every mode of transportation—another railroad paralleling its tracks in south Florida, two four-lane highways over its entire length, four deep water ports, and the intercoastal waterway from Jacksonville to Miami. The railroad was not earning enough to pay the interest on the bonds and equipment obligations that it assumed under the plan of reorganization."

Senior Vice President Ray Wyckoff (left) with Terminal Superintendent R.F. Townsend at Bowden Yard, Jacksonville, where three Drott cranes perform 8,000-9,000 lifts per month.

On top of all this came demands from the nonoperating unions for higher wages and liberalized work rules. FEC broke away from national negotiations and tried to work out local agreements that would keep it out of the bankruptcy courts. Faced finally with a strike threat, the railroad sought but failed to get an emergency board. The non-ops went out Jan. 23, 1963, and the operating unions refused to cross the picket lines. The Kennedy Administration still refused to appoint an emergency board (and did not, in fact, get around to doing so until the following autumn when the unions, smelling defeat, desperately wanted outside intervention).

Says Thornton: "We had one of two choices—either submit to the union demands, which we felt would ultimately mean a return to bankruptcy, or try and operate the railroad with supervisory personnel and employ a new work force. We undertook the latter alternative and ran the first train out of Jacksonville to Miami on Feb. 3, 10 days after the strike began."

In the months that followed, the railroad reported more than 400 separate acts of sabotage and vandalism. Trains and bridges were dynamited. Buildings were burned. A bullet narrowly missed J.E. Corbett (now FEC's vice president-traffic) as he sat at the controls of a locomotive. One night Corbett had to telephone his 17-year-old son to stand guard with a shotgun after his home was threatened. Many FEC people can tell similar stories.

"There is no doubt," says Thornton, a deeply religious man, "that the Lord watched over us and kept us from harm in that we did not have any really serious injuries among our employees despite the fact that we had over 163 cars and 16 locomotives derailed because of sabotage or vandalism."

Ed Ball also kept a close watch, giving his managers full rein to do whatever had to be done to keep the railroad running. (Ball once said that he subscribed to the philosophy stated by his late brother-in-law, Alfred duPont: "Be fair to everyone; do as much good as you can; be honest with yourself, which means honesty with everybody; and, to put it mildly, be most disagreeable to anyone who seeks to do you injury." No unionist who undertook to do battle with the FEC can doubt Ball's devotion to the last part of that homily.) Meanwhile, the railroad had to fight off more than 20 major challenges in the courts. The last case was settled just this year.

● **The way it is.** From it all, FEC emerged with a new freedom-to-manage that, says Thornton, has resulted in the creation of "the most modern and well-maintained railroad in the country. We have centralized traffic control and continuous welded rail from Jacksonville to Miami. We have almost 250 miles of concrete crossties between Jacksonville and Miami. We have hot box, dragging equipment, and loose wheel detectors at 20-mile intervals in addition to shifted load detectors every 40 miles. We have achieved one of the finest safety records among railroads our size, having won either the first, second, or third place Harriman Safety Awards 11 years out of the past 12.

"Where we were operating three through freights in each direction before the strike, we are now operating eight or more in each direction. We have more than doubled our revenue ton-miles, and in 1978, instead of being unable to meet interest payments on our bonds and equipment obligations, we earned $13,125,000 on gross revenues of $71,224,000, a carry through of more than 18% to net income before taxes.

"During the last five years the railroad has spent on gross additions and betterments over $87 million, all of which came from earnings and cash generated from our own operations. This may not be a large capital program for some railroads, but it represents 31% of the gross revenues of the FEC for the five-year period."

● **The new rules.** All of this has been made possible, says FEC's president, by sweeping rules changes in six major areas:

1. "We eliminated the 100-mile day and substituted an eight-hour day with time and one-half for overtime, essentially the same basis as for a yard crew.

2. "We eliminated any restrictions concerning road crews running in and out of or through a terminal.

3. "We eliminated any restrictions limiting yard crews from performing road work or road crews from performing yard work.

4. "We eliminated any restrictions limiting starting time for yard engines—in other words, yard engines can be started whenever the service requires.

5. "We eliminated any restrictions on

the number of men required on a yard or train crew; we use those men that the service requires.

6. "We provided a single seniority date for all train and engine employees in both road and yard service, that is, the date of their original employment. In other words, a man may simultaneously qualify as a yard switchman, yard conductor, yard engineer, road train, road conductor, and road engineer, with his original seniority date in each class, and bid on any job he is qualified to hold that his seniority permits."

● **"Real job security."** The restructured system, says Thornton, "gives our people flexibility in their choice of jobs, and—even more importantly—it gives them real job security, for they know that each and every job out there is essential to provide service to the public; it is not there just because of some obsolete rule."

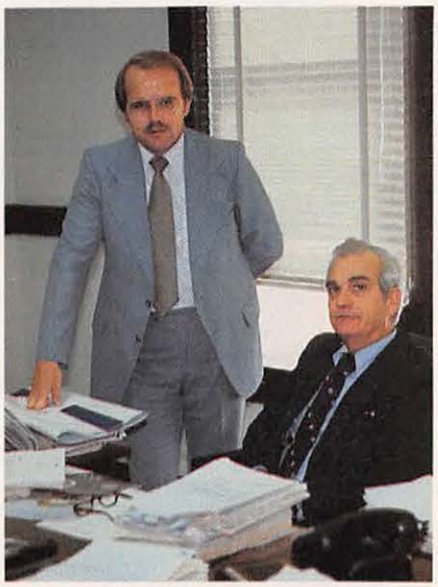
There are still unions on the FEC, emphasizes Senior Vice President Ray Wyckoff, who was personnel director at the time of the strike and has played a major role in both the philosophical and the physical rebuilding of the company: "Some of the operating employees are not represented by any union. Others are represented by the Florida Federation of Railroad Workers. This union originally came into existence during the early days of the strike, when it represented only the yardmasters and the train dispatchers. At that time they called themselves the Federated Employees Council. As years went by, they changed their name because the acronym 'FEC' made it seem as if they were part of the railroad management, which they were not. Now they represent practically anyone—nearly all of the nonoperating employees. We have other unions on the property; for example, the mechanical department supervisors are represented by the American Railway Supervisors Association. Some of the shopcrafts still have their original representation. Like other railroad employees, ours present their grievances, their claims, and their Section 6 notices whenever they consider it appropriate to do so. We have the same type of negotiations with them that we would have with any other unions."

FEC's annual report for 1978 puts the company's average wage per employee at $16,710, up from $9,560 in 1974. The AAR estimates that the average wage of all U.S. railroad employees in 1978 was $20,314, compared with $14,235 in 1974.

"Our employees' pay scales are what we consider fair and just," says Wyckoff. "We've worked out with the representatives of the employees agreements which give the employees a good living wage. I'm not trying to say that they're the same as other railroads', because they're based on a different principle. It's the take-home portion of the employee's pay that counts, and ours is as good as that of employees on other roads."

● **8 hours, plus time and a half.** The most controversial change in FEC's work rules is that under which road freight crews are paid.

"Through freight crews on most railroads," points out Wyckoff, "operate on a miles/hours basis, with 100 miles or eight hours constituting a day's pay. We had the same thing on the FEC. On a through freight train from Jacksonville to Miami, we had to change crews at New Smyrna Beach and Ft. Pierce. Each crew consisted of five men, so that was 15 men.



Traffic Vice President J.E. Corbett (seated) and assistant, Gene Tonsager.

The first crew, from Bowden Yard [Jacksonville] to New Smyrna, got a day's pay for 97 miles—a trip they could make in roughly two hours. The second crew got almost a day and a quarter's pay for the 117 miles from New Smyrna to Ft. Pierce. The third crew operated from Ft. Pierce to Hialeah [Miami], roughly 127 miles, another day and a quarter's pay; they made that trip in about three hours. Today, we operate that same train, Jacksonville to Miami, with a conductor and an engineer. They're paid on an hourly basis, with time and a half after eight hours."

Another big breakthrough was in yards: "Most railroads have the starting time limitations. You can only start a yard engine between 6:30 and 8 a.m., 2:30 and 4 p.m., and 10:30 and midnight, regardless of whether you need it at that hour not not. We have no such limitations. We provide the service and start the yard jobs when they're needed—which seems to me to be much more realistic than, because of some rule in the book, starting a yard job say three or four hours before you actually need it."

● **The payoff: Better service, lower rates.** Both Thornton and Wyckoff emphasize that the real payoff for the railroad is not so much reduced labor costs but the opportunity to provide better and more frequent service to its shippers.

"Prestrike," says Wyckoff, "we operated three trains a day between Jacksonville and Miami. Currently we operate eight or nine through freights a day in each direction, and we throw in extras whenever they're needed. The main reason for operating that number of trains is to get the cars from Jacksonville to the south end of the state when they're needed by the people who receive them. In the old days, when we got cars at interchange at 2 o'clock in the afternoon, and we didn't have a train out until 9 o'clock at night, those cars wouldn't arrive in Miami until maybe 8 or 9 o'clock the next morning. Now it's different. For example, yesterday [Oct. 29] we had a train that left at noon, another at 2 o'clock, another at 4 o'clock, another at 5 o'clock, another at 7:45, another at 10 o'clock, and another at 5 minutes after midnight. And then we ran an extra out at 1:10 a.m." (This kind of frequency has the added attraction for FEC of getting high per diem cars off its lines fast.)

FEC wants to be—and is fast becoming—a low rate, high-volume carrier. FEC has flagged out on many of the Ex Parte rate increases, and it fights—sometimes in court—to keep its intrastate rates low. During the period 1974-1978, FEC's revenue per ton-mile increased only 5%, while the increase for the railroad industry as a whole averaged nearly 28%. But during the same five-year period, FEC's revenue ton-miles rose by 28%, vs less than 1% for the rest of the industry, and its freight revenues rose by 46%, compared with 30% for other railroads.

● **The customers approve.** Service and rates like these make the job of Traffic Vice President Corbett and his assistant, Gene A. Tonsager, comparatively easy, though they have to keep scrambling to stay ahead of the competition. Outperforming the industry has come to be a habit with the FEC, and the traffic and marketing department is no exception. In this year's first 10 months, FEC moved 191,401 carloads, an increase of 11.7% over 1978; at the same time, the industry as a whole had an increase of only 3.9%. FEC's piggyback traffic is up even more impressively, from 58,200 in last year's first 10 months to 68,206 in 1979, an increase of 17.1%. This compares with an increase for all railroads of 2.0%.

FEC has installed concrete crossties on 241 miles of main line and 25 miles of sidings.

Piggyback is the fastest growing segment of FEC's traffic mix. It accounted for 35.6% of all carloadings during this year's first 10 months; motor vehicle traffic accounted for another 6.9%, for a total of 42.5%. Here, again, service has been a major factor. "We run our trains on time," says Wyckoff. "The other day, a Yellow Freight trailer was 14 minutes late getting to the Bowden terminal. It missed the train." United Parcel Service, a tough customer when it comes to on-time delivery, regularly gives FEC several hundred vans a night to move from Jacksonville to Miami.

FEC has recently invested heavily in its TOFC terminals. Three Drott Travelift overhead cranes are now working at Bowden, performing 8,000 to 9,000 lifts a month. Two other Drott cranes, plus a sideloading Piggypacker, are at work in Miami.

A once-rich source of traffic that the FEC has all but abandoned is citrus and vegetables. The railroad once hauled 50,000 carloads of this traffic northbound a year; last year it handled fewer than 1,000 carloads. There are a number of reasons for this, but the big one, says Corbett, is that "today the itinerant truckers come down to get the business. Unfortunately, when they come down they usually bring something with them, which means that when there's a bountiful crop, we suffer."

Another factor, suggests Tonsager, is the deterioration of rail service to the north:

"You can run the wheels off a car to get it to Alexandria, but that's the end of the story."

FEC's principal northbound traffic now is crushed and broken stone, which accounted for one-fourth of all the railroad's traffic in 1978. On Nov. 12, FEC started its first unit train operation—30-car trains of aggregates from Miami to City Point, one train a day, six days a week. A number of the 300 Ortner rapid discharge cars now being delivered to the railroad will be used in this service.

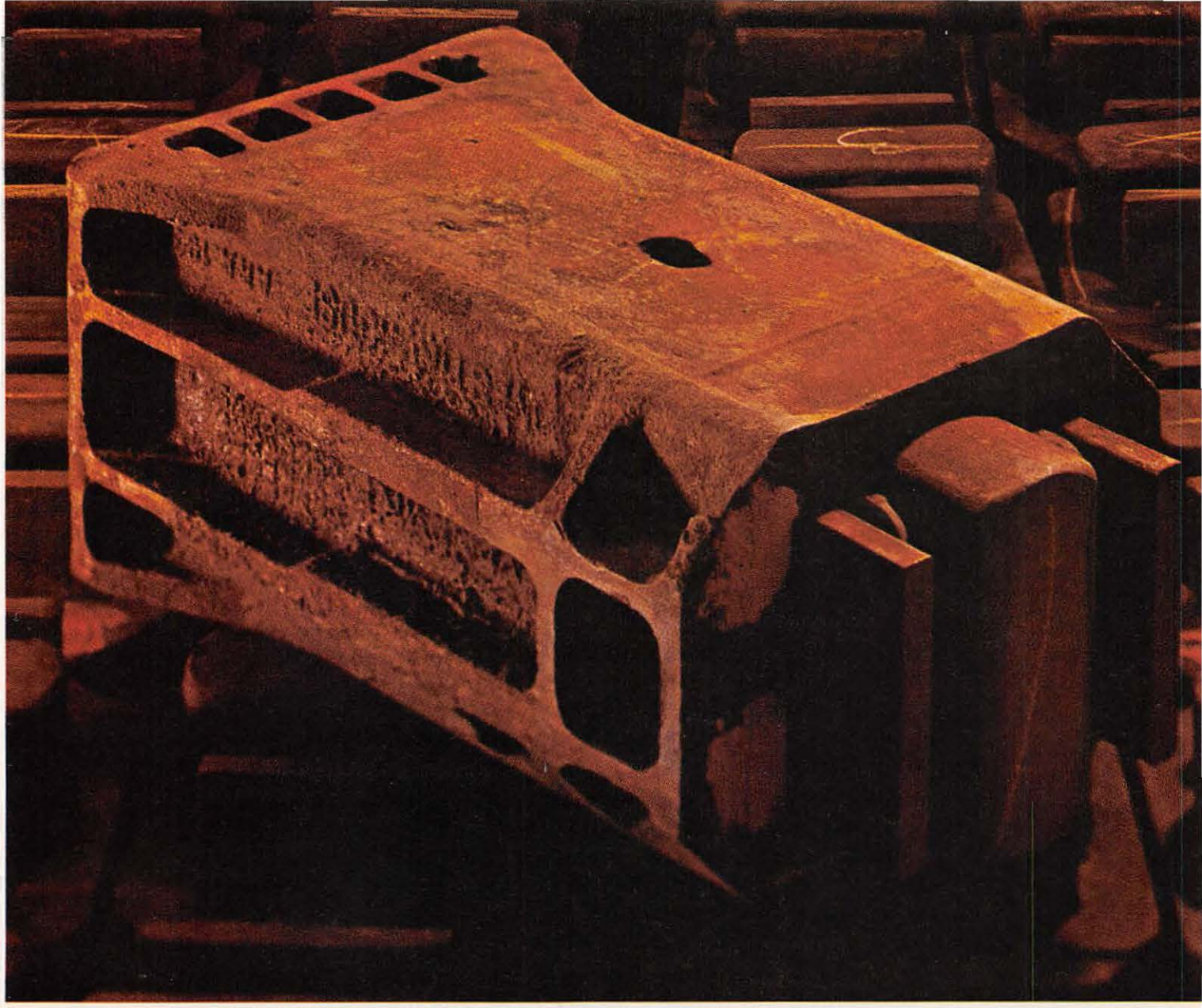
● **FEC's track record.** FEC's record for safe, reliable service is built on a firm foundation—a roadway that has few peers anywhere in the U.S. Altogether, FEC has 649 miles of main-line track and 225 miles of branch line. Continuous welded rail has been installed on 478 miles—246 miles with 132-pound rail and 232 miles with 112/115-pound rail. Concrete crossties are in place on 241 miles of main line and 25 miles of sidings, for a total of 266 miles. FEC has perhaps as many grade crossings per mile as any other railroad in this country—694 in all. Of these, 588 have automatic protection; only 106 have warning signs only.

Wyckoff says he isn't through yet: "I want to rebuild each of the passing tracks with concrete ties and welded rail. We have just started on that. We've still got 90 miles of 112-pound rail in the main line; I want to replace that with 132-pound welded rail. We have a number of receiving tracks in yards that I want to get the jointed rail out of; it's all 115-pound, and I want to replace it with welded rail. Most of our bridges have wooden ties; I want to replace them with concrete ties. And I would like to replace every one of our crossing surfaces with concrete surfaces. We have two in test service now. They have exceeded our expectations, and we have devised a replacement program that will start at Daytona Beach around the first of the year. This will enhance our maintenance ability, because the concrete panels can be lifted out and you can then surface through the crossing."

FEC pioneered in the use of concrete crossties in this country, and while it is very happy with the ties now in place and expects great maintenance savings in years to come, the road to a good tie was not initially a smooth one.

Says Wyckoff: "We started the concrete tie installation in 1965, and we experimented. Many of the problems that we had were of our own making. For example, we felt that if we had a concave bottom on the concrete tie it would prevent center binding. We found that the concave bottom had just the opposite effect; it created center binding. We had to redesign the tie and put a flat surface on it, and then eventually replace all the ties that we had installed. We also found that our original clips did not have the proper holding qualities, so we had problems with the rail running. The insulation on the clips was not adequate; it gave us signal problems. The pads between the tie and the base of the rail were rubberized, and they simply did not hold up. We had to devise a fiberglass pad. We were originally using limerock ballast, because we generate limerock on line. But we found that the concrete tie pulverized the limerock and created cementing, which held the water and deteriorated the ballast next to it. So we had to plow out all the limerock and replace it with granite ballast, which we're bringing down from Georgia. These were just a few of the problems that we ran into with the concrete tie, but we feel that we have a tie which is a good one."

Why haven't more railroads adopted the concrete tie? One reason, says Wyckoff, is the higher cost of concrete ties, "although the increasing price of wood is narrowing the gap." Another reason, he says, may be that "unlike wood ties, concrete ties will not forgive you your track maintenance sins. You have to keep good surface—if you do that, if you have a good roadbed, concrete ties won't give you any problem." All railroads, he suggests, cannot afford to maintain their roadways to concrete tie standards. But FEC can—for reasons that go back to that time nearly 17 years ago when this railroad "dared to be different." ■



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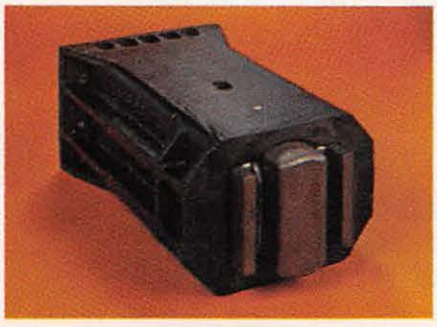

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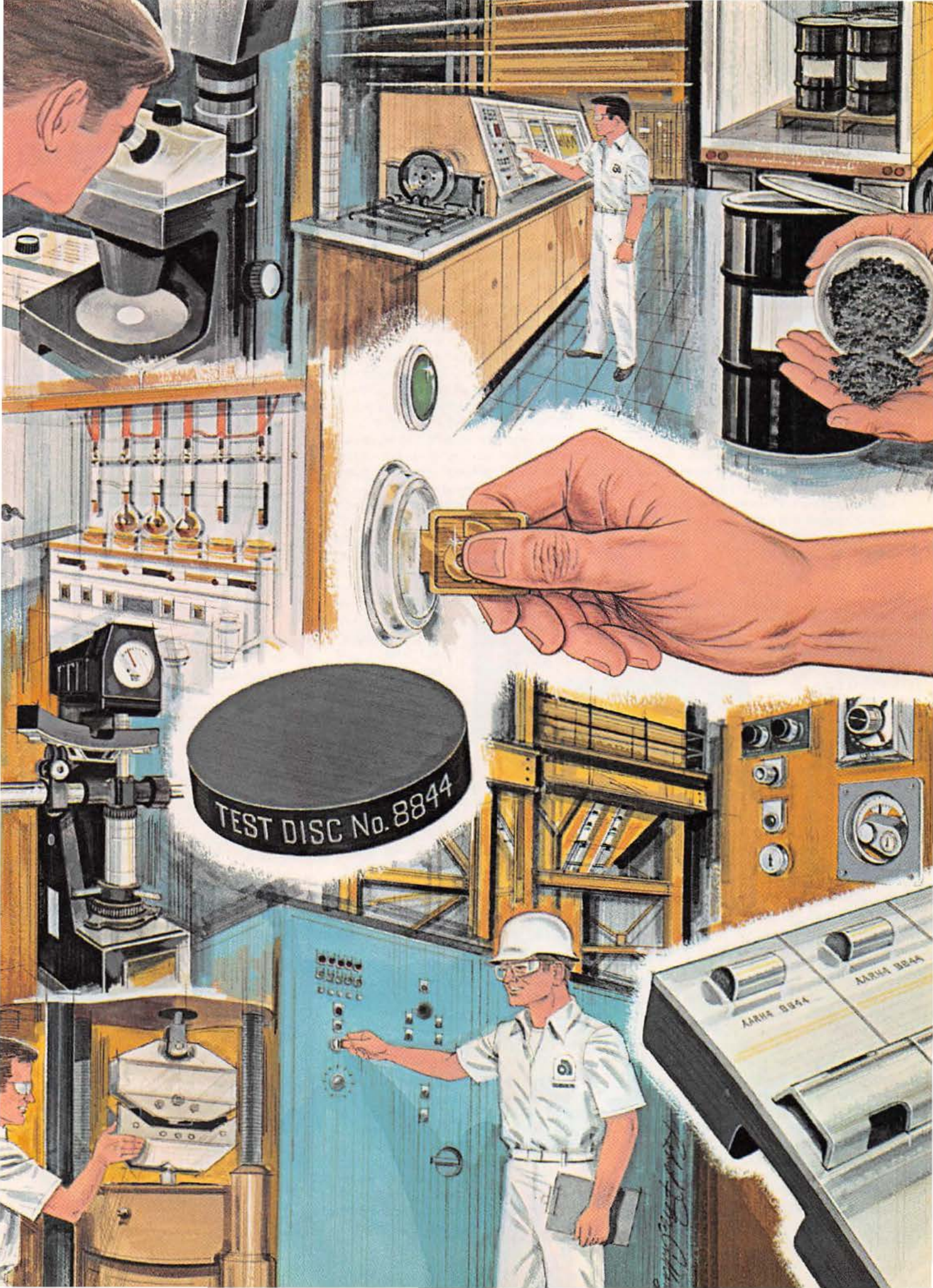
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ICG: Slimming down and shaping up

By FRANK MALONE
Associate Editor

Largely because of a triple-whammy by Mother Nature this year, Illinois Central Gulf in the first nine months lost more than $20 million hauling freight. Contrary to a storm of rumors, however, ICG does not seem ready for mention in the same breath with the Rock Island and the Milwaukee Road.

Nothing, in fact, has caused the ICG's officers, not to mention those of parent IC Industries, more consternation recently than talk of an impending trip by ICG into bankruptcy court. Rumormongers have ranged from the *Des Moines Register*, the major newspaper of a major ICG state, to a federal official who called ICG a likely candidate for new procedures for abandonment of a bankrupt carrier's excess lines.

Speculation has been further nourished by word that ICG is talking to outside consultants about help in forming a plan for a viable core system (a current bankruptcy buzz-phrase).

The railroad's top officers, however, insist that not even nature's assault by blizzard, flood, and hurricane will keep ICG from solvency this year. While conceding that land sales will help to make up transportation losses, they say transportation won't do so badly, either—if the weather will just let October's and early November's promising freight volumes stay strong through December.

The dark clouds—real and metaphoric ones—seen over ICG seem to have obscured from many observers its rather steadfast pursuit of a trimmed-down, beefed-up system over the past several years. That effort has involved some impressive expenditures. ICG's leaders insist there is a clear direction, after all, and it's not down.

• Reshaping without bankruptcy. "We couldn't qualify to file for bankruptcy if we wanted to," says William J. Taylor, ICG president and chief executive officer. "Really, our strategy is, without the aid of bankruptcy, if you will, to get trimmed down to the core of an essential, high-tonnage railroad."

As ICG railroad company underlines, it couldn't qualify for bankruptcy because real estate income has been offsetting transportation losses. As IC Industries' transportation group (essentially ICG), however, it had a pretax loss of $2.9 million. But ICG land transactions are reported as part of IC Industries' real estate group, which showed pretax net income of $3.1 million for the quarter.

For the first nine months, the IC Industries real estate group showed a pretax income of $6.2 million, while the transportation group showed a pretax loss of $20.7 million. However, the railroad's total real estate income was substantially greater than the real estate group's reported pretax income as a result of sale of property to another IC Industries subsidiary. Until land is sold "out of the family," such transactions are not reported under real estate group consolidated results, even though the railroad receives cash proceeds immediately.

"I'm looking for a very strong fourth quarter," Taylor says. October carloadings were up 15% over those for hurricane-weakened September, but down about 6% from the October 1978 level. However, total 1979 carloadings through October were only about 1% behind those for the same 1978 period, and in November the gap seemed almost closed. Grain was a big factor, with loadings running ahead of those for 1978. It was part of a trend that produced a 9% increase in third-quarter revenue ton-miles, despite a washout of business at Mobile, Ala., for several days by hurricane Frederic.

The trend reflects ICG's basic market strengths, awaiting a better-run railroad for some solid gains. First, ICG has become a major mover of export grain from Iowa and Illinois to the Gulf of Mexico. It's a good haul, all the way on the same generally flat railroad. Second, the railroad is anchored on the Gulf end by the the New Orleans-Baton Rouge petrochemical "gold coast," from which ICG is a major mover north. In the middle are Southern Illinois and Western

ICI's Johnson

IC Industries has for sale a railroad struggling to make itself as attractive as possible. The Illinois Central Gulf has book value of $750 million and a tax base of about $500 million, says William B. Johnson, Industries chairman. It also has debts totalling about $500 million. As of early November at least, Johnson was entertaining no serious offers, following Southern Railway's decision not to proceed after it took a thorough look at ICG (*RA*, Feb. 26, p. 10). Also following that decision was a Johnson statement that there would be no "false starts with any more premature announcements." But there have been "premature announcements" of ICG's financial death, especially in view of weather-related problems. Just where *does* the railroad stand these days, financially and with regard to its future? Johnson addressed both questions in an interview, taped in late October, with *Railway Age* Associate Editor Frank Malone.

RAILWAY AGE: Is the railroad going to stay solvent?
JOHNSON: The railroad has been solvent, *is* solvent, and I expect it to stay solvent. We are very frustrated by—and resentful of—any suggestions to the contrary.

RA: But it's losing money moving freight.
JOHNSON: The number that the public sees on our financial report for the third quarter under the heading of transportation does not include real estate sales. At the present time transportation shows a substantial red figure. But if the railroad's earnings from real estate leases and sales were included, I would think that the prospect of a profitable year would look fairly good.

RA: Will large real estate sales be needed by the end of the year to put the railroad in the black?
JOHNSON: Probably not. I think the railroad will definitely be in the black when you include its regular real estate transactions. In fact, I don't have any doubt about it. Our goal is, of course, to show a black figure for transportation alone, excluding real estate sales. But when we talk about railroad earnings, we consider all sources including the rental income from 7,500 leases and the profit from sales, which customarily runs

says the ICG is solvent and salable

around $30 million a year. But even without real estate, things are looking better. We've had improvement in rates, and our ton-miles are running about 9% higher than in the prior year. Add it all up, and we have good reason to expect, I believe, that the fourth quarter will be very good.

RA: There is talk of "huge" advances by Industries outstanding to the railroad. What is the "balance of payments" situation right now between ICI and ICG?

JOHNSON: I think at the present time it's in the neighborhood of $30 million in advances. But this is not something that we're concerned about. It's not unprecedented, and at times Industries will be borrowing from the railroad. All of our subsidiaries are treated exactly the same way with respect to the advance account, and at the present time we have subsidiaries that owe us quite a lot more than the ICG. Some of our most profitable subsidiaries owe us quite a lot more and it's no matter of concern to us. You see, the parent company serves as a banker for all subsidiaries, which do not do their own short-term financing. The subsidiaries do only long-term financing.

RA: How much must ICG pay back by the end of the year?

JOHNSON: As much as it can, but sometimes there's quite a time lag.

RA: Is there really a strategy for ICG?

JOHNSON: In early 1976 we formulated a new plan for the railroad, and since that time we have invested a great deal of money in it. We've done that very deliberately because we have a very ambitious program for rehabilitation of the lines that we expect to remain part of the system. We have yet another plan for elimination of a very substantial number of miles—and we are getting along rather well, at least I would say much better *now*, with the abandonment program. The pace has not been satisfactory by any means, but it certainly has been improving, and we hope to see it improve a great deal more in the future. This will increase the density on the remaining lines, make the railroad more efficient and more competitive, and certainly more profitable.

RA: But that was supposed to be paying off by now.

JOHNSON: Yes, we had expected 1979 to be a very profitable year for the railroad, because it really represented the first turnaround year since inaugurating

William B. Johnson
Chairman, IC Industries

the programs in late 1975. But the weather's always with us. The unprecedented snow got us in the hole early in the year. Then in April we had floods in Mississippi, and eventually we had a hurricane. The third quarter had good prospects but they didn't materialize, largely because of hurricane Frederic and the severe dislocation of our territories in the South.

RA: What about a recession?

JOHNSON: We do have that possibility. Nobody knows what the impact of the Fed's new policy will be with respect to the general levels of economic activity. Nevertheless, our volume today is quite satisfactory, and we have good reason to believe that the strength of the big shipments of grain will continue. Coal is steadily but modestly improving in volume, and we have quite a number of areas where there is good strength in traffic. There are always uncertainties in the railroad business, but right now I look forward to our railroad's immediate future with more confidence than I have in quite some time.

RA: Is sale of ICG in that immediate future?

JOHNSON: Our position on the sale or other transactions regarding the railroad has been pretty well spelled out, I think. We've said many times that we believe ICG will be part of another major railroad system; it's just a question of which one and when. But we have no announcement to make at this time.

RA: But talks are continuing?

JOHNSON: We have had some conversations with people since the talks with the Southern were terminated because of the C&O-Seaboard announcement. Those conversations come and go. We have no announcement to make, but there are definitely railroads and nonrailroads interested in a deal. However, the railroad is not a subject of a fire sale. It's not our attitude that we just want to get rid of it and we want to do so as soon as possible. There are people who say they're very interested, but I don't think that the prospects of an early deal are helped any by the current monetary conditions.

RA: And until there's a deal?

JOHNSON: We're going to bring this railroad up to top-notch condition, that's the commitment we made. We get sick and tired of hearing people talk about the deteriorated ICG and about its financial condition. What we'd like to do, in our interest, and not simply just for public relations or the satisfaction of doing it, is to be able to say without any equivocation, 'Anybody who wants to inspect the ICG lines, we defy you to describe them as in deteriorated or bad condition.' They're not. No railroad is ever in perfect condition, and ours isn't either, but it's certainly in good condition and we are continuing to make it better.

RA: Why has it seemed so hard to get that message across?

JOHNSON: There are two reasons I could speculate about, both quite frustrating. One is that people advocating legislation on behalf of railroads have looked for arguments, I think, to illustrate why Congress should take some action. And I think that, following the Interstate Commerce Commission's error of describing ICG as a financially troubled railroad, there has been a tendency in Washington, particularly on the staffs of some of the congressional committees, to use ICG as an example of why Congress should pass legislation helpful to the railroads.

The other reason, and again I'm speculating, may be that the miseries of the Rock Island and the Milwaukee naturally raise the question of 'Isn't there some other railroad about to encounter similar problems?' Well, ours isn't.

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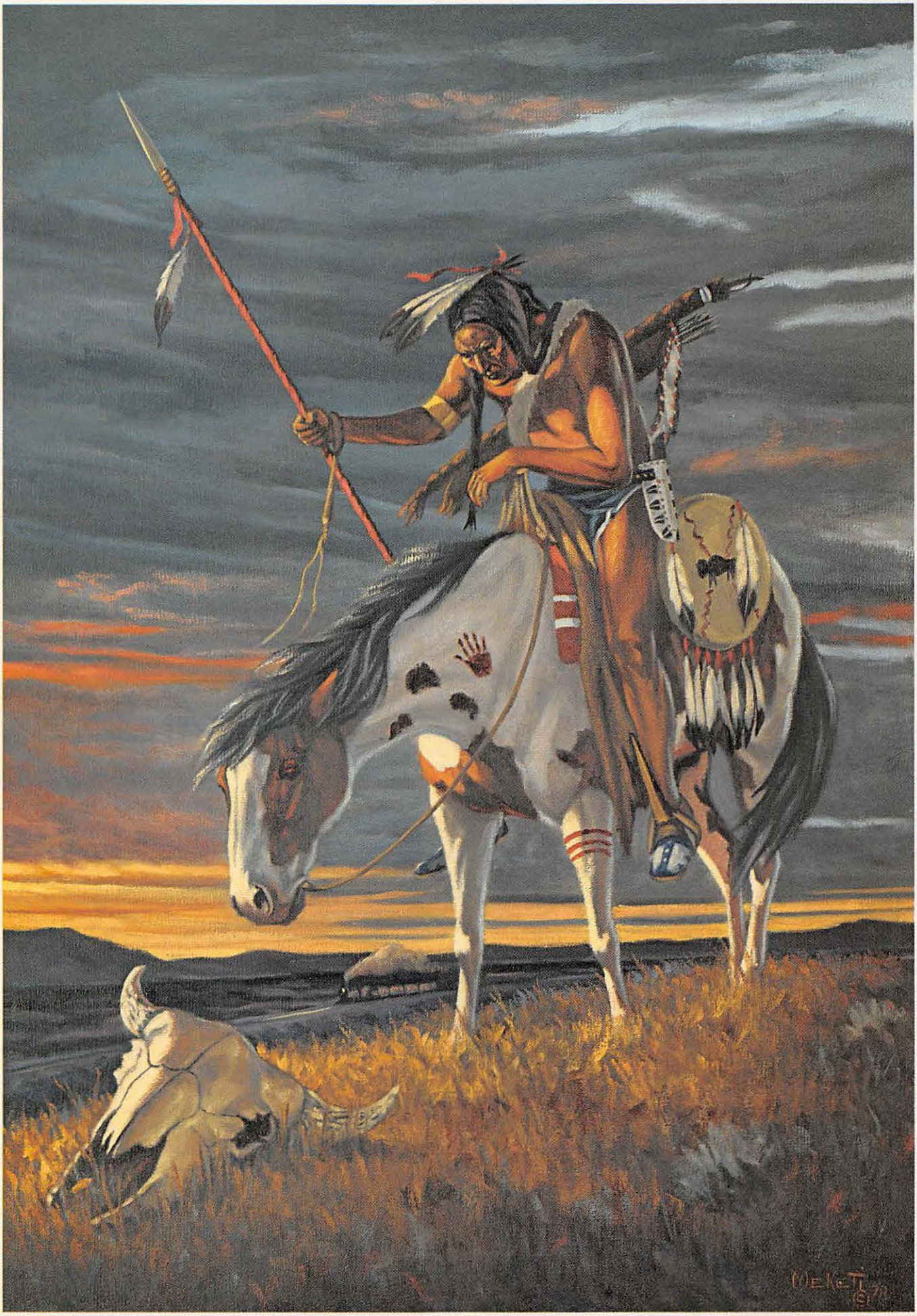

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End of the Trail

Original oil painting by M. Meketi

Ballast undercutter/cleaner at work in ICG's four-going-on-five-year effort to upgrade its main-line track into a high-volume Chicago-to-Gulf freeway for unit trains.

Kentucky coal fields (high-sulfur but far from dead) and a promising Mississippi paper industry.

The problem is that, except for the lean, well-operated Iowa division, ICG still steps all over itself between Chicago and New Orleans. Few carriers have more redundant trackage, and no carrier is so saddled in Mississippi. That situation stems from the 1972 merger of Illinois Central and Gulf, Mobile & Ohio, a merger still struggling to live up to its promise.

Since early 1976, when a new set of top managers including Taylor moved in from the parent company, the battle has been well-planned but seemingly fruitless. Just over 1,000 miles have been abandoned since merger, when the system totalled 9,658 miles. The expected north-south operating efficiencies remain to be achieved, with schedules longer than they were five years ago (partly due to continuing track upgrading). Carloadings last year were down 20% from the 1973 total for the first full merger year.

● **A 7,000-mile system.** The goal remains clear: a high-volume Chicago-to-the-Gulf freeway for unit trains. ICG officers are confident that their strategy for creating that freeway is the right one and is about to prove itself. First, they say, recent abandonment decisions indicate that the next 1,000 miles will go more quickly than the first 1,000 did, as ICG looks forward to a 7,000-mile system.

Second, they point to the "beefing-up" part of the strategy that has directed millions of dollars into the north-south main line and other important routes and will continue to do so through 1982.

"I have a very strong feeling about our strengths," says Taylor. "We have a hell of a lot going for us in that north-south corridor. It's a railroad that's ready to go, and I really think we'd have been there this year but for the natural disasters." Preceding the September hurricane was record April flooding in Mississippi and record snowfall in January-February in Illinois. Though other railroads were hit, too, none caught the same one-two-three punch that ICG did. At the railroad's southern hub, Jackson, Miss., flooding shut down operations for 10 days.

● **FRA takes a long look.** Taylor's optimism is shared by James E. Martin, senior vice president-operations since November 1978. This past summer, Martin made some of the old-line operating types a little nervous by encouraging the Federal Railroad Administration to leave no stretch untoured in a "safety assessment" that gave rise to its own rash of rumors.

Martin says he invited FRA to come on to the property freely, but with ICG's long-range strategy in mind. Joseph Walsh, FRA associate administrator for safety, says that after examining the Louisville & Nashville and trying to examine the Rock Island, FRA was already headed for ICG, invitation or not. "But it's always a lot nicer when they work with you the way ICG did," Walsh says. Results of the assessment (covering operating practices, track conditions, motive power, hazardous materials handling, signals, and train controls) will be reviewed with ICG management later this year. Walsh says he expects continuing full cooperation from ICG, which in general has been improving its safety performance, especially for hazardous movements.

"We have a lot going for us in that north-south corridor."

—William J. Taylor, President and Chief Executive Officer, ICG

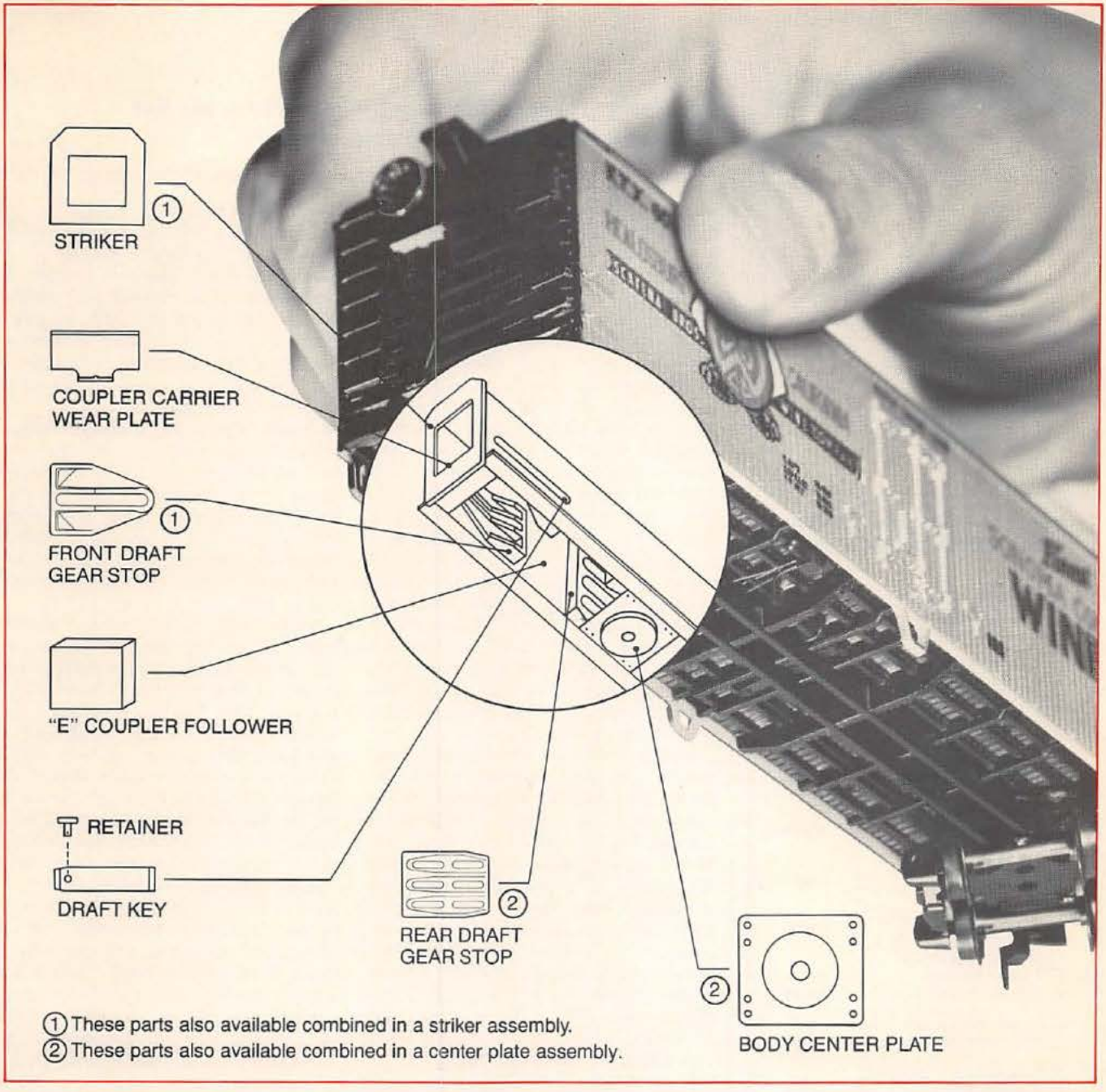
"Haz mat" was one of Martin's first concerns. He says he ordered immediate attention to the six most critical segments of ICG lines in terms of accidents involving chemicals, which account for about 16% of the railroad's revenues.

Martin is also taking a thorough look at terminal operations, one of ICG's major weaknesses. At Memphis, a new southbound track for through trains is now in service at a cost of about $119,000. Such trains were tying up the entire yard, virtually made obsolete by big cars and long trains. A northbound run-through track may be added. Previous investment at Memphis, under a "yard improvement progam" was aimed more at repairing track than at making the facility more fluid.

Another important location is Jackson, Miss., where a complete rehabilitation costing about $17 million is under way, funded by the 4R Act. At Chicago, Markham yard got $1.6 million worth of retarder improvements in the past three years. Capacity there is adequate, Martin says, and the emphasis will be on continued high maintenance. New Orleans and Baton Rouge yards seem to be in good shape. ICG's East St. Louis facility suffers the same congestion as others in the area. As for any new yards, there is little hope. A long-talked-about facility at Fulton, Ky., would now cost about $65 million. What is more, some of the land eyed for the yard has now been sold. ICG will have to make do with what it has, and avoid what it has where possible, through more unit train operations.

● **Capital outlays.** Important as the terminal investments are, they're drops in a very large bucket of track funds that ICG has been pouring on its lifelines since early 1976. The pouring is well-calculated, as described by Martin: "We're trying to make the right kind of moves and put our dollars in the right places."

Glenn E. Konker, senior vice president and chief financial officer, adds: "We are continuing to invest where it makes sense. We're really our own worst enemy in the high level of our spending." That, he means, keeps the bottom line thinner and the operating ratio higher. The transportation ratio is higher, too, at about .49 through third-quarter 1979, compared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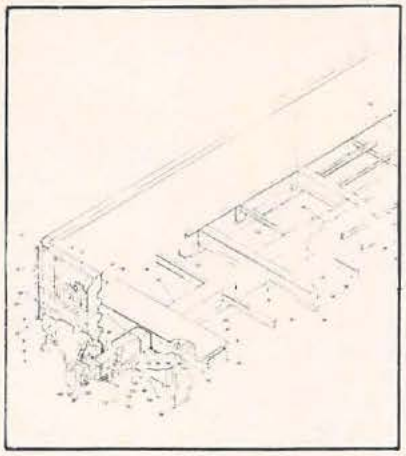

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"We're getting to the point where the main line of this railroad is in damn fine shape."

with .45 in 1978. "We are delaying trains to allow the maximum work on the facility," Martin explains.

But Konker offers impressive numbers as evidence that eventually the kinks will be ironed out. To start with, next year's capital budget will be up an estimated 20% over 1979's $225 million, divided about evenly between track and equipment. As for track, ICG next year will enter its fifth straight year of massive main-line effort, involving about 300 miles of new 136-pound welded rail and about 1.6 million new crossties (the pattern of recent years has been 1.4 million ties). But those items are just part of a program that in four years has produced outlays of nearly $600 million for track improvements. Such spending is aimed, in part, at correcting FRA-estimated deferred maintenance totalling $238 million (though much of that estimate is based on track that likely will be abandoned). FRA has helped out, supplying $166 million in preference-share funding.

Konker also cites the railroad's locomotive rebuilding program at its Paducah, Ky., shop as an example of the right place for dollars. Paducah is scheduled to turn out 55 units next year, after 50 (scheduled) in 1979. The rebuilds are helping ICG produce good power availability ratios (better than 90% this year) and avoid capital outlays for new power. The railroad last bought new power in 1976. Though the grain rush and cycling problems may change his tune, Martin says: "We hold very few trains for power. I came here and inherited a very creditable locomotive fleet."

Financial decisions such as those about rebuilding are expected to carry ICG through the throes of its shaping up. Decisions must also be directed toward controlling the railroad's debt, another source of rumors about an imminent foundering. How, it was being asked, could a railroad with ICG's problems meet 1984 mortgage maturities totalling $25 million? Without giving away any secrets, Konker answers, calmly: "We already have the financing complete for paying off the mortgages." The next one matures in 1985, and it is considerably smaller.

Another area where ICG officers feel more confident these days is rates. The railroad recently gained a 30% increase for wood chips, a big commodity in Mississippi but traditionally a big loser. On coal, which accounts for about 13% of ICG revenues, there was a recent 22% rate increase. And for grain, about 11% of revenues, ICG has applied new peak-demand rates for a 20% increase.

Taylor looks for further applications of greater rate freedom, especially in the area of contracts. But he's holding out for contract rates that are real commitments. "We've got to have contracts in the truest sense of the word so there are no doubts about agreements being carried out," he says. That means assurance that capital costs can be recovered.

● **Some lingering doubts.** Perhaps from frustration as much as conviction, ICG officers are quick to defend the condition of the railroad, at least the main line. "We're getting to the point where the main line of this railroad is in damn fine shape," Martin says. "I'd take anybody down on that railroad right now," Taylor adds.

Though the ICG economic analysis staff is highly regarded, Taylor was moving toward choosing a consultant to help produce a final plan for restructuring the railroad. "We'll probably proceed with an effort to stimulate the alternatives, so I can judge with greater certainty the effects, for example, a major change will have on other parts. I intend to get it done so the 'in extremis' period will never come." Such a study might also help ICG get a much-needed improvement in its costing methods. Meanwhile, ICG works hard to abandon the already clear candidates, especially in Mississippi. "We've been called everything you can think of down there," Taylor says. "I have pursued a very tough course in Mississippi."

Real estate sales will continue to bolster the railroad, in a well-considered "cannibalization" of assets. Real estate can help carry the day, Taylor says, adding: "Every dollar has gone back into the railroad property."

Aside from the demand of crucial physical improvements, two other major problems loom. First, ICG has not, in recent years at least, been known as one of the better-operated railroads. The continuing upgrading should help Taylor and Martin determine whether the railroad's service problems have stemmed from the physical plant or from rigid operating attitudes.

Second is the public perception of ICG. It's a problem that Taylor seems more outspoken about than might be expected from a rail executive who can hardly be ranked among the public noisemakers of the industry's top management. It is a problem he seems determined to face as he says: "I often wonder how we've got ourselves into such a communications bind that really intelligent people out there don't understand us." ■

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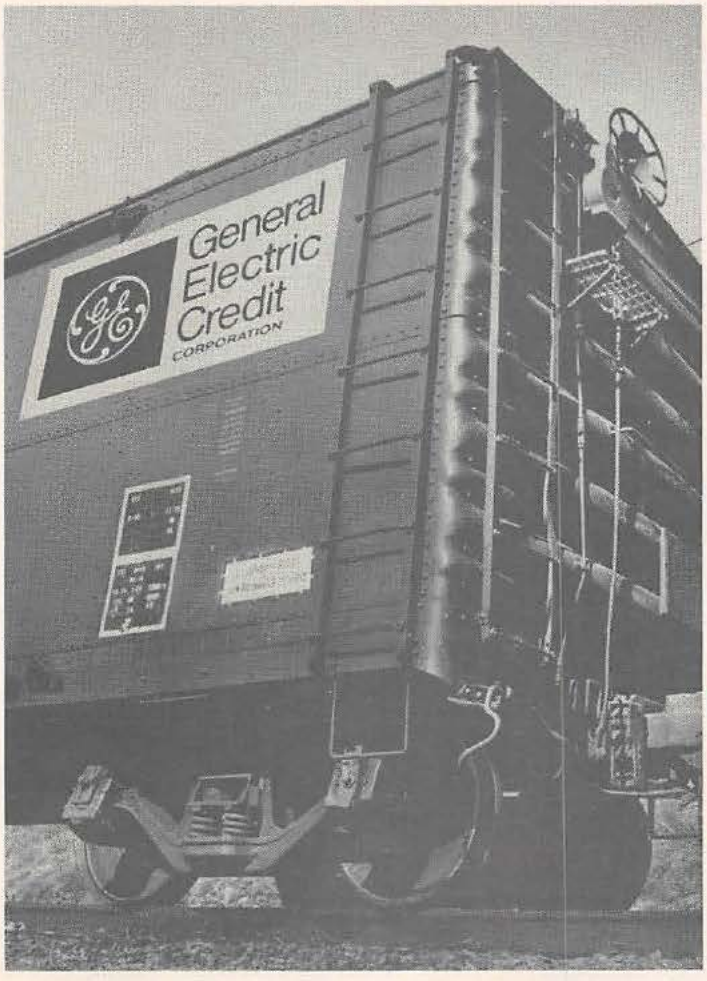

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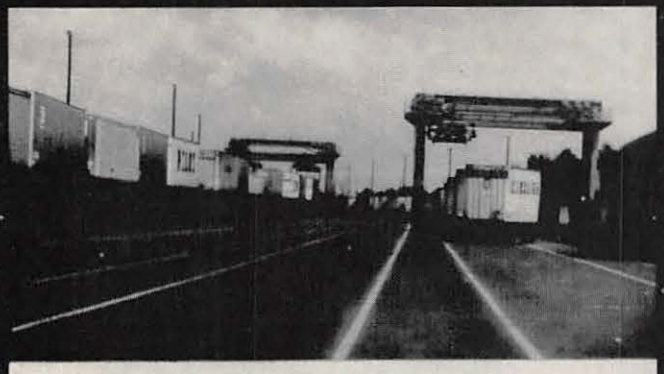

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Are shippers ready for rate freedom?

As debate over deregulation drags on in Washington, doubt persists about some railroads' ability, especially in the area of costing, to take advantage of the rate freedom that seems to be on the way. Another question, just as important, is this: Do railroad shippers have that ability?

One man with an answer is A. T. Kearney's James S. Heuer, manager of rail economic consulting, who has been helping the Interstate Commerce Commission get control of the 4R Act's great misfit, market dominance. Earlier this year Heuer told shippers that not nearly so many of them are railroad "captives" as they might have thought. He did so in a study that scaled down the importance of market dominance while boosting the importance of a broader "programmatic" approach to the issues of rate deregulation (*RA*, July 30, p. 12). That study concluded that a great deal of traffic, more than previously thought, could be freed from regulation and priced through direct shipper-carrier negotiations.

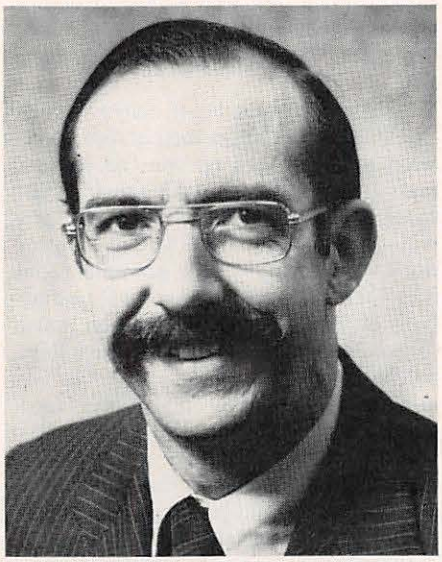
Discussing this conclusion in an interview with *Railway Age*, Heuer emphasized the benefit to shippers as well as carriers, though many shippers have viewed "dereg" as only a rail remedy, to put it mildly. Shippers' fears about losing their regulatory protections, Heuer believes, are based largely on a lack of preparedness for a freer rate-making environment. That stems, he adds, from a problem similar to that of many railroads, namely, costing techniques that are less than adequate.

● **Help needed.** Heuer believes many shippers are going to need outside help in their deregulated dealings with railroads, a conclusion befitting any good consultant. But Heuer's credentials in this regard are a bit above average, and the main one is his analysis of market dominance for the ICC. It was the second time for A. T. Kearney, which had produced a 1977 study that said a fairly high proportion of traffic (55%-75%) might be subject to one or more of the three "rebuttable presumptions" designed by the ICC to help it define effective competition under market dominance. Market dominance itself had been defined as the absence of effective competition for the traffic to which a rate would apply.

The "rebuttable presumptions" were (1) a rate of 160% or more of variable cost; (2) rail carrier market share of 70% or more; and (3) a substantial shipper investment in rail-related facilities. If a shipper could present reasonable evidence that any one of those was true, the traffic would be presumed "market dominant," unless a railroad could prove otherwise.

That 1977 approach set off a storm of protest, including a lawsuit by the Association of American Railroads, and the interpretation of market dominance—a notion hatched by the 4R Act to reduce regulation—reached a stalemate. That's where Heuer came in, and his recent study concluded that effective competition for rail traffic exists to a very great degree, indeed.

"If you consider all forms of competition, plus long-run shipper strategic alternatives to change sources or rebuild facilities from rail- to truck-oriented, only about 5% of all rail traffic would be tightly locked in," Heuer says. "However, we know that at present rate bureaus permit the railroads to lessen competition among themselves substantially. Consequently, perhaps 10% to 15% of all traffic is long-run market dominant in the broadest sense of the word."



James S. Heuer
Manager, Rail Economic Consulting
A.T. Kearney, Inc.

That leaves a vast area of traffic not needing traditional ICC regulation, and it leaves as well a lot of shippers without the expertise to handle a nontraditional approach to rate-setting. "Traditionally, the shipping community thought it had done the job if it went out and got Rail Form A costs, and it would be really sophisticated if it got individual carrier Rail Form A costs rather than the regional costs, which everybody figured were wrong to begin with," Heuer says.

"But now we're talking about an entire other level of concern with costs. The shipper has to know what his costs are for things such as storage and accumulating loads, so that he can trade off what he has to offer the railroads against the cost-saving kinds of things that the railroad can take advantage of."

● **Role of contract rates.** Heuer is convinced that just as "dereg" is on the way, a major deregulated mechanism for the trade-offs he foresees will be contract rates. That means specifying certain levels of traffic over a period of time in a regular flow.

"Now," asks Heuer, "what's the cost implication for that shipper? The traffic department traditionally has no contact whatever with the people who might have some idea what the costs are for 'regularizing' the flow of traffic. In companies where there's a physical distribution management department, where all of that is pulled together, they may have some mechanism for making the trade-offs. But many companies don't have that."

Heuer sees the real issue revolving around a ratio of revenue to variable cost, starting at a minimum of 140% and perhaps going as high as 180%. That is, such a ratio would be the threshold for determining a maximum-rate ceiling, following ICC's obligation to consider adequate carrier revenue as a determining factor in setting reasonable maximum rates.

"Something like 70% of all interstate rail traffic is currently priced below 140% of Rail Form A variable cost," Heuer says. "So it's obvious that, under the new regulatory philosophy that says railroads must be adequately compensated for services they are obligated by law to provide, market dominance becomes a minor issue, given the current state of railroad pricing."

● **Shipper's "only defense."** It is also obvious, he says, that shippers are simply going to have to know better their full distribution costs, and that involves getting a perspective on the railroad's operation that is at least as good as the railroad's.

"Of course, from the shipper's standpoint, that can be quite expensive, but it's going to have to be done," Heuer says. "It'll be the only defense that the shipper has in dealing with railroads, the absolute only defense."

As for rail costing abilities, Heuer says: "We have had exposure to some that are very good, the Southern Pacific in particular. But many of the systems in the rail industry are still based pretty heavily on some of the theory underlying Rail Form A. And to the extent that that has some very serious flaws, particularly in its

Some companies are changing their shipping patterns to reflect the realities of railroad costs and operations.

variability percentages, there are weaknesses in the costing methodology that carriers are using. Some of the larger carriers can go into their data base and get detailed information on a specific movement that the shipper could only get by tapping into the railroad system or by going out and counting cars, timing moves, and so forth. There are other railroads, I might add, that don't have even the vaguest idea of what their costs are."

Heuer says good costing will prevent deregulated discussions from becoming divisive. "In every other area of contract negotiation, we don't see the buyer and seller as adversaries, we see them as parties with different interests trying to bring them together, and each side attempts to maneuver itself into the best possible position. One way for the shipper to do that is to arm himself with the facts on costs."

In most cases, however, the shipper will find that the rates aren't anywhere near the threshold cost that brings regulatory intervention. "And at that point," Heuer says, "the shipper must ask himself the question, 'Since this traffic isn't particularly attractive to the railroad, what can we do to make the railroad feel comfortable about handling the business?' "

That, he emphasizes, is where many shippers' need for costing help will really show up, along with the need for some radical changes in their outlook on transportation in general. One change may be a move to the distribution center concept.

● **A case in point.** Just how much will shipper approaches to the traffic management function have to change? Enough to affect the entire operating strategy of a firm, Heuer answers, and he offers as an example the following case history of a major midwestern machinery manufacturer with annual sales of more than $4 billion:

The firm's traffic manager recently complained to Heuer that he couldn't "get the ear" of railroad management, though the firm is progressive, well-run, and rapidly growing. The manager told Heuer that complaints about car supply, loss and damage, car turnaround, and other problems were going unheeded.

"Upon investigating, we found that this highly divisionalized firm had a separate traffic department at each plant," Heuer says. "Relationships with the railroads were the responsibility of at least ten individuals with different line reporting responsibilities. Moreover, there was no single corporate data base where companywide tonnages, freight rates, loss and damage experience, or transit time performance were compiled as an aid to negotiation with the carriers.

"To make matters worse, even though most of their many plants shipped to a few common distribution points and the same dealer network, there was no means by which they could coordinate or consolidate shipments from nearby plants to common destinations. This firm considered itself 'captive' to the railroads for some commodities, even though rail freight as a proportion of their total had fallen from 85% about 15 years ago to 10% in 1978."

● **New shipping patterns.** Heuer says the company is now reviewing its entire corporate strategy towards transportation, with a goal of being able to negotiate with their railroads from a position of strength. That means, first of all, a central traffic function with information showing what is moving, where it's moving, and how well, according to each carrier.

"But going beyond that, they recognize that they must change their shipping patterns to reflect the realities of railroad costs and operations, making their freight more attractive for the carriers and providing 'something to offer' in negotiations," Heuer says. "For example, today they load machinery for several destinations on one flatcar. The car then makes several stops, often on rural branch lines, before returning to the factory. As you might suppose, turnaround time is terrible for those cars. They now realize that this 100-year-old practice will have to stop. In fact, under regulatory reform, the railroads would probably price themselves out of this market entirely."

However, Heuer adds, the company is considering setting up consolidation points that will gather the products from several plants and ship them to remote distribution centers at major terminal areas. (Another machinery maker, International Harvester, is already doing this with Burlington Northern [*RA*, Nov. 12, p. 9].) The manufacturers are going beyond even this distribution center concept in their thinking, Heuer says: "They've begun to ask, 'Why can't we schedule our stock order production so that goods for the same geographic area come off the line consecutively?' Then they could load cars going to one destination at a time, eliminating a need for additional switching.

● **"Few captives."** Shippers must view their need for greater cost sophistication as part of a reality discovered in his market dominance study, Heuer says, and that is that there are really very few captive shippers, few who have absolutely no options in the long run. Many shippers are in a short-term pinch because they've relied on the old regulatory framework to protect them.

"Unfortunately," Heuer notes, "simple procedural tools do a very bad job of determining who is subject to rail market power and who isn't. The commission's rebuttable presumptions were poor. Like all procedures requiring substantial evidence, they favored larger shippers who could afford the legal advice and data-gathering costs to present a good case. Small, unsophisticated shippers were simply baffled by the procedures. Yet there are few good alternatives. Simple, all-purpose approaches just won't do the job."

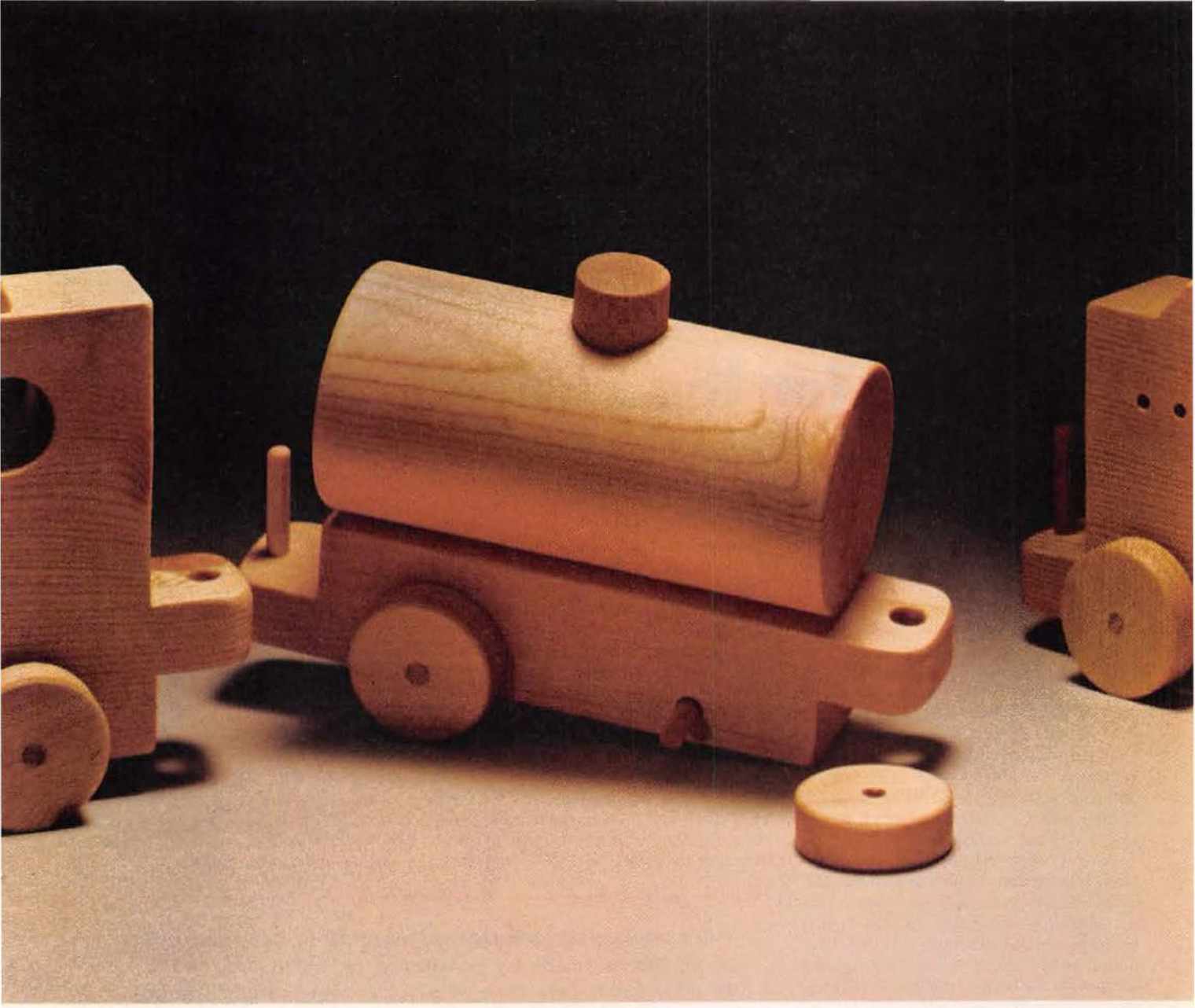
That is what led Heuer to conclude that the commission should take a whole new approach. Market dominance could not become the centerpiece of the deregulation movement because it simply would replace procedural battles over rate reasonableness with equally costly and time-consuming battles over who is captive and who isn't, the Kearney study said. The only solution was a programmatic approach minimizing commission involvement through a broader look at deregulation. This approach would limit ICC involvement in detailed case-by-case review of rates to about 10% to 15% of traffic, while still providing reasonable protection to shippers and flexibility to the carriers, Heuer contends.

● **The program.** "Basically, the idea is this," he explains. "First, the commission deregulates motor carrier competitive traffic. This should cover 25%-35% of rail tonnage and can be done right now. The commission is moving forward in this area already with fresh fruits and vegetables already deregulated, and now there's consideration of intermodal traffic.

"Second, the further clarification of contract rates is required, making all contract rates automatically nonmarket dominant. This recognizes that shipper bargaining power is often stronger than that of the railroads.

"Third, we recommended a zone of reasonableness with the allowable zone set annually by the commission based on their forecast of inflation. This would serve two purposes. It would eliminate the problem of regulatory lag for inflationary cost increases, and it would, in effect, let the railroads show where they feel they have market power, for rate increases above a normal rate of inflation can only be possible where some market power is present."

Will shippers buy it? Heuer says Kearney's contact with shippers as part of the market dominance restudy uncovered a growing realization that a broader approach to transportation will be needed. That includes rate adjustment based on better cost studies, and, as a result, new postures for dealing with carriers. "Shipper attitudes are definitely starting to broaden along these lines," Heuer insists. "Most of them seem to say, 'Yes, we know that somehow or other, there'll have to be adjustments.' " ■



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Railview

In an article written for *Railway Age*, NW's president contends that FRA-USRA asked the wrong questions in a study of alternatives to Conrail.

By JOHN P. FISHWICK
President and Chief Executive Officer
Norfolk & Western

The case for the Firewall

Several years ago, when Penn Central was thrashing about in the agony of bankruptcy, everyone was seeking a way to salvage a privately owned rail system in the Northeast. With the 3R Act, the Congress gave USRA the primary responsibility to design a final system plan for the reformation of Penn Central and other bankrupt rail properties. As a result, Conrail came into existence on April 1, 1976, on the basis of USRA's belief that with temporary government support the bankrupt lines comprising Conrail could be rehabilitated and made profitable by 1979. In subsequent years, loans and advances by the federal government aggregating something over $2 billion could be repaid, and Conrail would be a profitable, viable railroad in the private sector.

When USRA first proposed its Conrail plan, I had serious doubts as to the validity of the revenue and cost projections upon which it was based. In fact, I came to the conclusion that there was little likelihood that Conrail would ever become self-sustaining or that it could ever repay the substantial sums advanced by the federal government. I viewed Conrail as a first giant step toward nationalization of the nation's railroads.

As a consequence, I suggested a different configuration for restructuring the bankrupt northeastern railroads. The configuration contemplated that the federal government acquire the bankrupt trackage roughly east of Buffalo and Harrisburg and operate these lines as a terminal carrier reached by the principal eastern and southern trunk lines, including a new and scaled-down Conrail, which would operate the principal bankrupt lines west of the terminal area. This plan was called the "Firewall" because it was designated to isolate government freight rail operations from private rail operations. Its objective was to avoid creeping and ultimate nationalization of the entire rail system. It presupposed that Conrail, operating only west of the Firewall, could become viable without continuing government support.

While the Firewall concept provoked some discussion at the time, it never developed any substantial support. USRA's plan for Conrail was described by its advocates as "the only game in town," and Conrail came into being with the strong support of government, railroads, and shippers. Looking back, I cannot fault this decision, because if Conrail could have been made a profitable enterprise, it would have been a solution preferable to the Firewall. But one may now wonder whether "the only game in town" is becoming a shell game.

Time has shown that the projections of USRA were optimistic, as have been a cascade of projections made by Conrail's management. As a consequence, Conrail has had to go back to the Congress for more government funding, and the hard fact is that the end of requests for government funding is not yet in sight. The Board of Directors of USRA, therefore, asked the staffs of USRA and FRA to consider alternatives to Conrail. The staffs' report was published in September. One of the alternatives examined was the Firewall. On the basis of its consideration of four Firewall alternatives, the FRA-USRA study has concluded that all of them would "be inferior to retaining the existing system with operating efficiences, rationalizations in system size, and a more liberal regulatory environment."

The conclusion is based on computer studies which show that, in the short run, the Firewall plan would be more costly than an "Improved Conrail" plan. It also concludes that it is at least questionable whether the lines west of the Firewall could be made profitable. Thus, the FRA-USRA study kissed off the Firewall plan with the assertion that it wouldn't help, because Conrail's losses are "spread throughout the system" making Firewall's benefits "perhaps even nonexistent."

Without access to more details than are contained in the published FRA-USRA study, I cannot challenge that conclusion. The conclusion does, however, seem inconsistent with studies made when USRA suggested that NW reacquire the Erie Lackawanna Railway. These studies concluded that the EL east of Buffalo produced a little over a third of the railroad's revenues but accounted for well over half of all costs. These studies were based on the actual location of EL's employees, cars, and locomotives.

My criticism of the FRA-USRA study is not that it gives the wrong answers to the questions it poses, but that it asks the wrong questions. In my view, the real questions that need to be answered are:

1) Are we taking an unacceptable risk of nationalization of all the nation's railroads by continuing to urge the Congress to pour funds into Conrail in its present configuration, when there is available an alternative which offers substantial assurance that nationalization can be contained within a relatively small geographical area?

2) What is it worth to create railroad competition in important areas in the Northeast to supplant the virtual monopoly that exists today?

"Are we taking an unacceptable risk of nationalization of all the railroads by continuing to urge Congress to pour funds into Conrail in its present configuration when there is available an alternative. . .?"

The risk of nationalization

It is clear to me that the Firewall plan could contain nationalization within the Northeast. Conrail's lines west of the Firewall, even if unprofitable, would not be so unprofitable that they would be unattractive acquisitions for other railroads, particularly western railroads, as we move, as I think we must, toward the formation of a small number of rail systems which operate interterritorially. The lines

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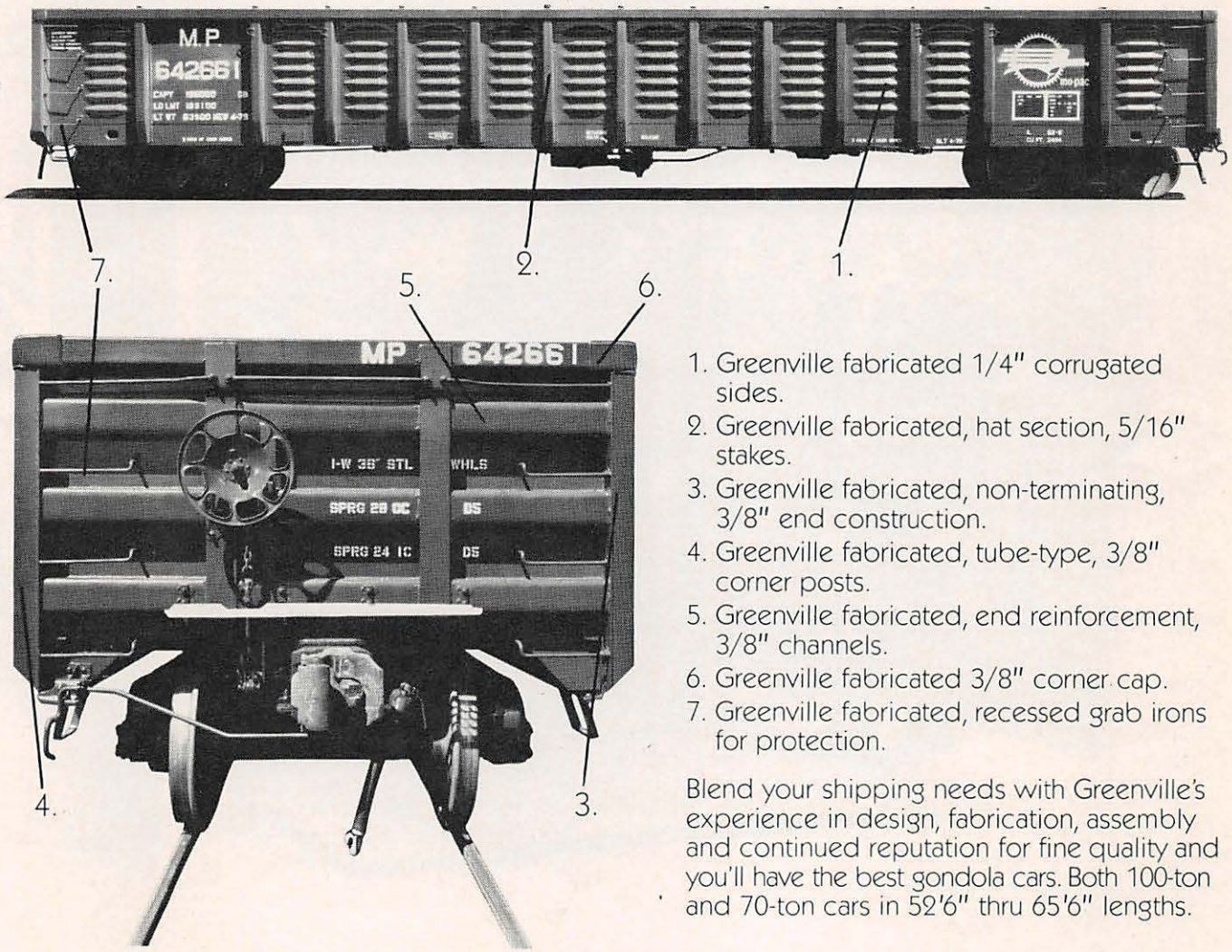

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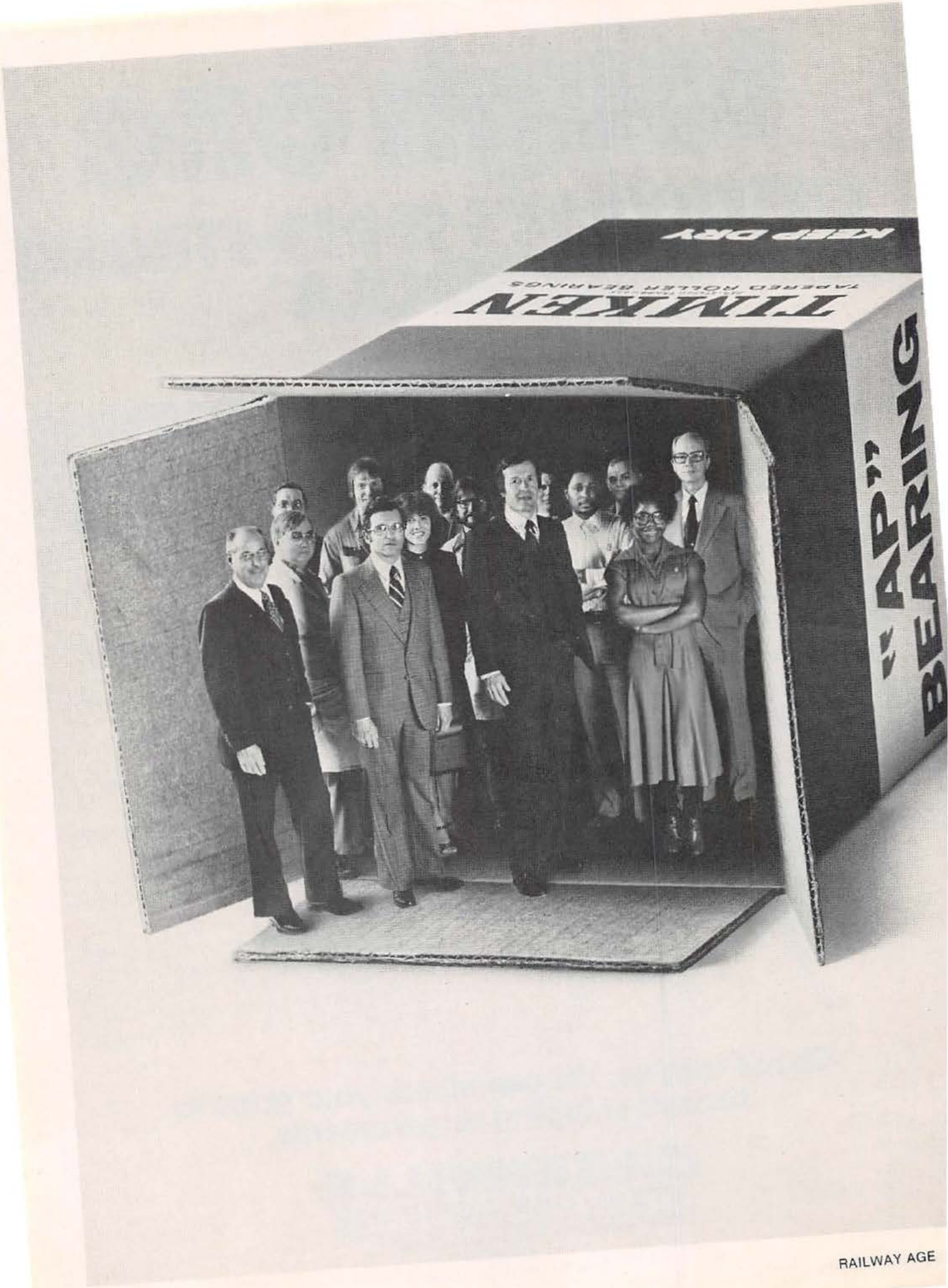
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east of the Firewall could simply be added to rail lines in the eastern corridor which are already owned by Amtrak and are, in effect, nationalized. Freight operations in the corridor are made costly because they are interlaced with Amtrak and commuter operations. A continuing subsidy of such freight operations might be justified as a part of the cost of providing passenger service in the area—a cost which could not fairly be imposed upon freight shippers. In any event, the Firewall plan would appreciably reduce the likelihood of nationalization of all of the nation's railroads when compared to any other proposal considered by the FRA-USRA study.

The alternative which the study prefers is one designated "Improved Conrail." This alternative assumes (1) that by Jan. 1, 1981, Conrail's route miles will be reduced by between 3,700 and 6,200 miles, with 4,600 miles being the preferred number; (2) that by 1983 Conrail will achieve operating efficiencies totaling $536 million in 1977 dollars, including a 19.5% car utilization improvement; and (3) that by 1983 Conrail will increase its revenues by $208 million as a result of increased pricing flexibility resulting from regulatory reform. On the basis of these assumptions, the study concludes that Conrail would need by 1983 between $810 million and $950 million of government funds in addition to the $3.3 billion already authorized. Would this be the end of government funding? Not necessarily. Here is what the FRA-USRA study says:

> If, in the years beyond 1983, Improved Conrail's operating efficiencies continued to improve to the same degree as forecast for the period 1981-83, no funding beyond 1983 should be needed other than some short-term financing to provide increased working capital levels through the winter of 1983-84. However, if Conrail cannot sustain such a rate of improvement after 1983, the likelihood for still greater federal funding would increase.

Thus, the FRA-USRA study indicates that even its preferred alternative, an "Improved Conrail," is quite a long shot. Moreover, it is regrettable—but a hard fact—that the financial projections made in the past by USRA with respect to Conrail, as well as those made by Conrail's management, have widely missed the mark. Certainly, we must take their record into account in appraising the risk of continuing to accept their conclusions. If an "Improved Conrail" fails for any reason to meet USRA's projections, how much more funding will be asked of the Congress? There is little, if any, prospect that the $4 billion advanced to Conrail will ever be repaid. At what point will the Congress decide that it can no longer justify putting money into Conrail unless Conrail is owned by the government, not by private investors? As we move in this direction, when will we reach a "point of no return"? If the federal government takes over Conrail, I do not believe the rest of the railroad system can long survive as private enterprise.

Competition in the Northeast

Much of the territory east of Buffalo and Harrisburg, particularly the New York metropolitan area and port, is served only by Conrail. As a practical matter, D&H, contrary to USRA's hopes, provides only minimal competition, and that railroad may survive only with continuing subsidies. The Firewall plan would provide effective competition throughout the entire area. What is it worth in the public interest to give this important area the benefits of rail competition?

Under the Firewall concept, the lines east of the Firewall could be obtained by the federal government as repayment, in part, of the loans made by USRA to Conrail. In substance, the government would obtain these facilities without cost since Conrail will never be able to repay the loans in any other way. There are options as to how these lines could be operated.

"The government subsidies required to support freight operations east of the Firewall would be minuscule compared with the subsidies which would be necessary if all the nation's railroads were nationalized."

One option is to operate them through a terminal company which would connect with major carriers, including the Southern, Seaboard Coast Line, Chessie, Norfolk & Western, Conrail lines west, D&H, and Boston & Maine. This would probably be the most efficient way of operating the lines east of the Firewall. If the terminal company were given sufficient freedom to determine its charges, at least to a variable cost level, it might be put on a break-even basis. If these charges were unreasonably high, a continuing government subsidy might be necessary or desirable to avoid unfairness to freight shippers in the area. Such shippers should not be required to pay the high costs of freight operations which result primarily from the joint use of facilities by commuter and passenger trains. In any event, the government subsidies required to support freight operations east of the Firewall would be minuscule as compared with the government subsidies which would be necessary if all of the nation's railroads were nationalized.

Operations by a terminal company would, of course, provide competition in the area east of the Firewall. A more direct form of rail competition could be provided if the federal government merely owned the tracks and facilities, either through Amtrak or another corporation. Conrail, as well as the other major lines connecting with the lines of the facilities corporation, could be given nonexclusive trackage rights to conduct operations over such lines. Similar rights would be given to the D&H, B&M, and perhaps others.

In short, the government would make available rail rights-of-way in the Northeast just as it makes highways available all over the country. The user railroads would pay a charge, perhaps measured by car-miles or by a percentage of revenues. Competition would exist to whatever degree the traffic would support. In the event none of the carriers granted trackage rights was willing to provide service on any lines, the lines could be abandoned, or potential shippers, or others, could provide short-line service to connect with one of the trunk line carriers.

If rail operations in the corridor were not self-sustaining, the facilities corporation would require an annual subsidy even after collecting trackage rights charges. The subsidy, however, would cover the shortfall of a geographically narrow undertaking. Furthermore, the facilities corporation concept limits the government's participation in rail transportation to that of a neutral, impartial supplier of rights-of-way, as it already supplies waterways and highways to other transportation modes. The Congress could cast off the expensive mantle of a rail baron—expensive alike to the taxpayers and to Conrail's competitors—and return to a more traditional kind of support for transportation. If Conrail flounders and swamps other healthy railroads, the ultimate cost to the taxpayers will be far greater than that of the facilities corporation.

* * *

In sum, I do not believe the Firewall concept should be interred. Realistically, the Congress must continue to support Conrail in its present configuration for the next year or so. But if the light does not soon appear at the end of that tunnel, it should back up and try the track to Firewall. ■

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People in the News

CENTRAL VERMONT.—Donald A. Caster, manager-sales, St. Albans, Vt., appointed manager marketing, succeeding **Robert L. Rixon,** promoted.

CHESSIE SYSTEM.—Allen N. Kellenberger, general tax commissioner, promoted to assistant vice president-general tax commissioner, remaining in Baltimore.

CN RAIL.—A.L. Burns, system manager, freight services, Montreal, appointed regional manager freight sales and services, Toronto, succeeding **A.J. Gilles. G.J. Waque,** transportation liaison officer, Montreal, appointed marketing officer-service planning, Toronto.

CP RAIL.—G.R. Mackie, assistant general manager, pricing, appointed general manager, marketing, with headquarters as before at Montreal. He succeeds **R.J. Ritchie** who has been named general manager, marketing and sales, Pacific Region, Vancouver, B.C. Mr. Ritchie replaces **W.D. Wilks,** retired. **H.M. Biden,** regional marketing manager, Vancouver, appointed general manager, marketing and sales, Prairie Region, Winnipeg, Man., succeeding **I.S. Ramsay,** named general manager, special projects, Winnipeg.

DETROIT, TOLEDO & IRONTON.—Norman A. Wallen, internal auditor, Dearborn, Mich., named director internal audit.

FLORIDA EAST COAST.—T.E. Breene, Jr., district sales manager, Atlanta, Ga., appointed regional manager, sales and service, Jacksonville, Fla. **Robert E. Finke, Jr.,** appointed district sales representative, Hialeah, Fla.

SANTA FE.—Clayton T. Dodge, general manager-freight claims, Topeka, Kan., retired Nov. 16, after 39 years of service.

SEABOARD COAST LINE.—James R. Getty, vice president-passenger traffic, Richmond, Va., retired Oct. 31, after 42 years of service. Mr. Getty was also Amtrak's operations officer responsible for coordinating Amtrak's operations in SCL territory, and is succeeded in that position by **Ralph L. Progner,** who has been assistant vice president-passenger traffic and assistant Amtrak operations officer.

SOUTHERN.—Leon H. Smith, Jr., superintendent, Macon, Ga., named assistant vice president, stations and terminals, Atlanta, Ga.

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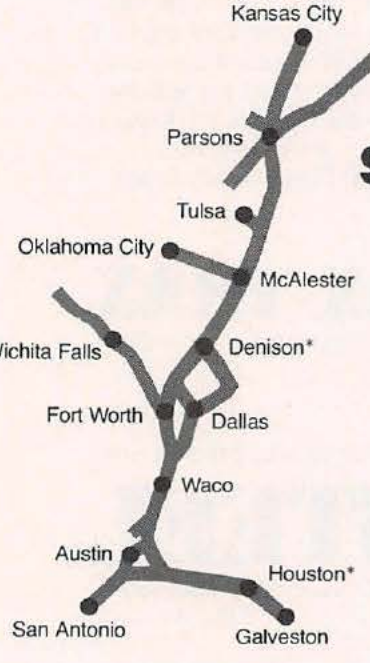

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Roger J. Kowalsky has been appointed president, **Pullman Trailmobile division, Pullman Inc.,** to succeed **Thomas A. Micali,** who will continue to serve as an executive vice president of the corporation until his retirement Jan. 1, 1980. Mr. Kowalsky was executive vice president, finance and administration of the corporation and will continue as an executive vice president. **Robert A. Cumming,** executive vice president and chief operating officer, **Pullman Standard division,** has been named president of the division, succeeding **James A. McDivitt,** who continues as an executive vice president of the corporation. **Donald J. Morfee** will continue as an executive vice president of the corporation and will become assistant to the president. **John J. McLean,** vice president and general counsel for the corporation, has been appointed senior vice president, general counsel and corporate secretary. **Henry C. Montgomery** has been named senior vice president, finance and administration, **Pullman Inc.** Mr. Montgomery was formerly vice president, finance and chief financial officer, **Saga Corp.,** Menlo Park, Calif.

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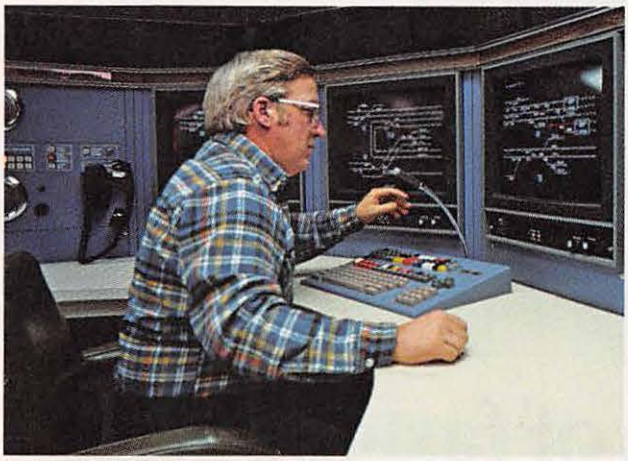

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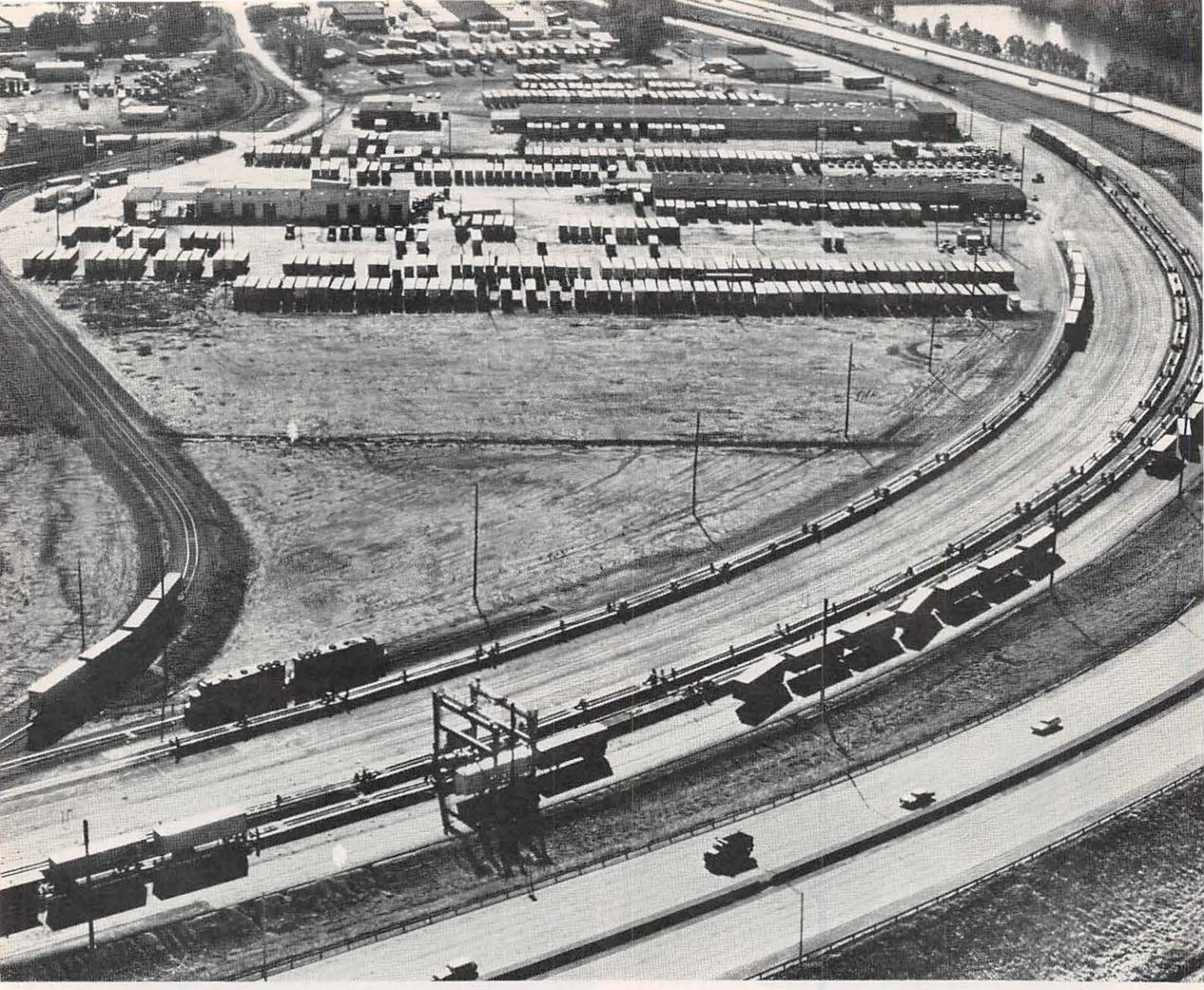

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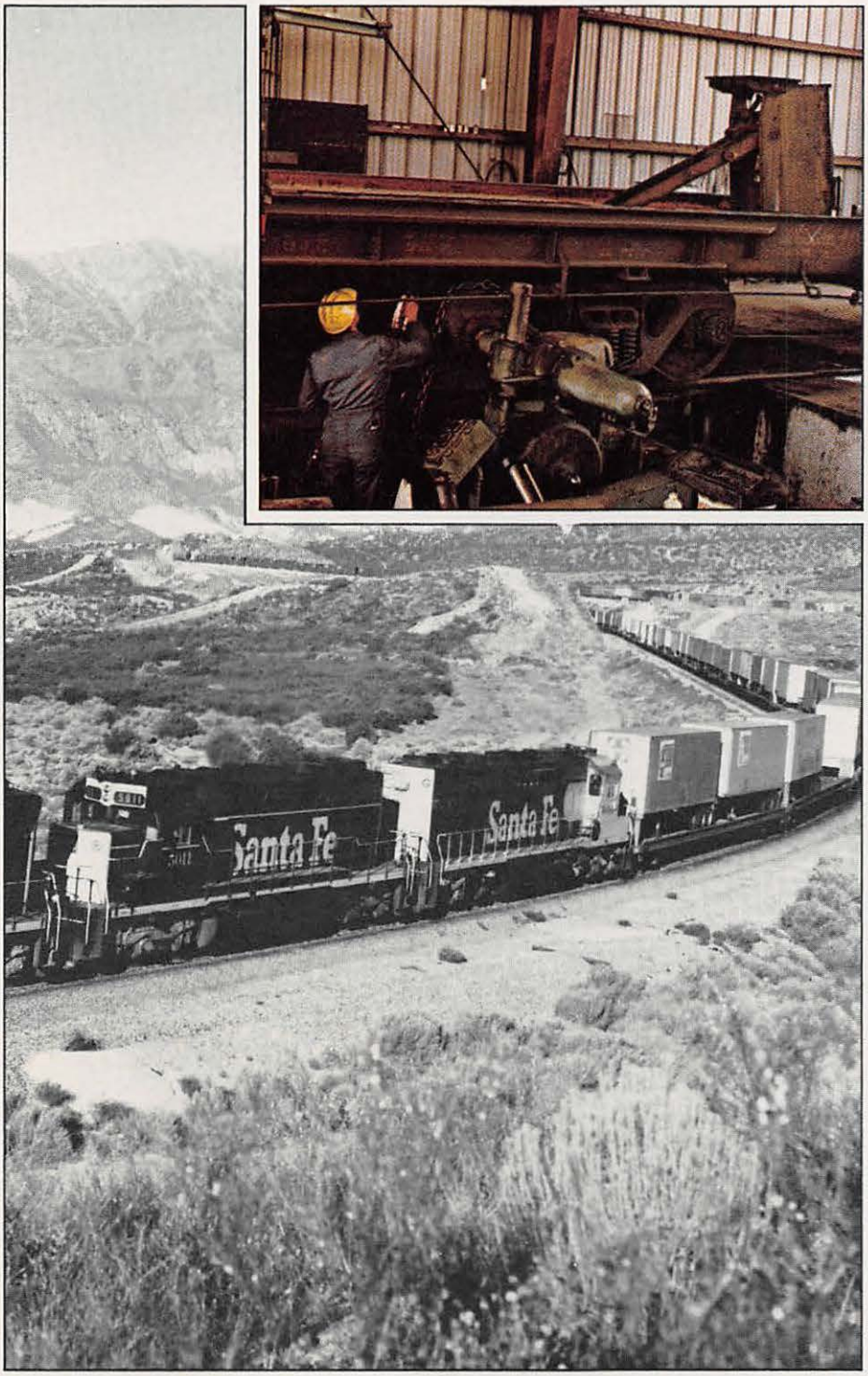

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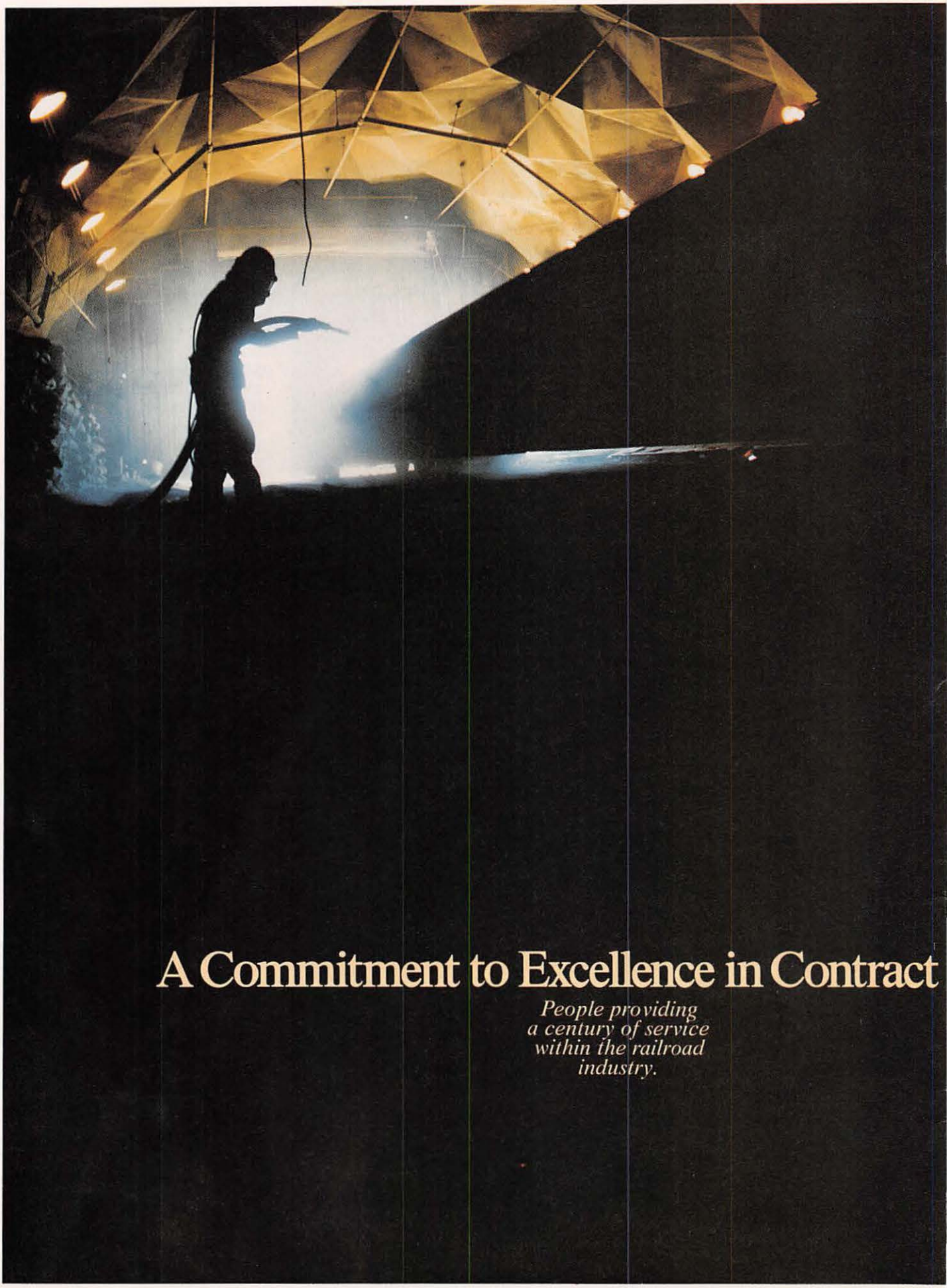

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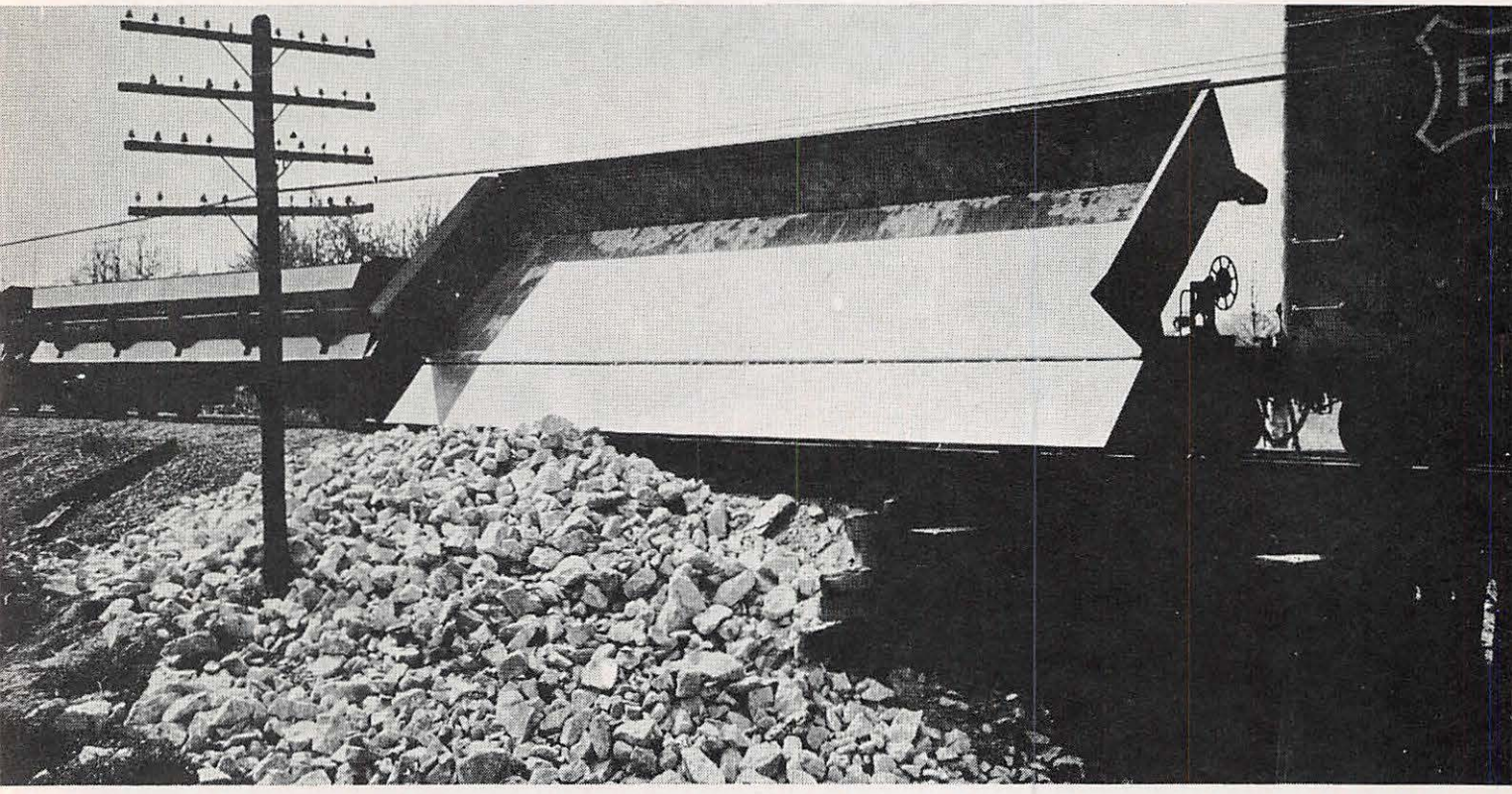

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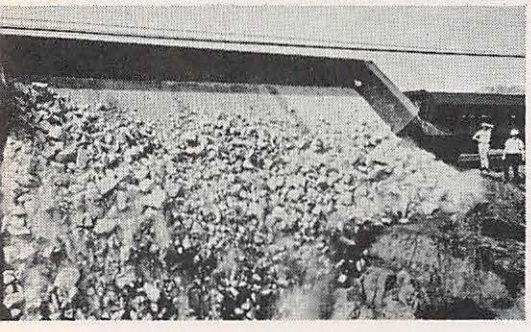

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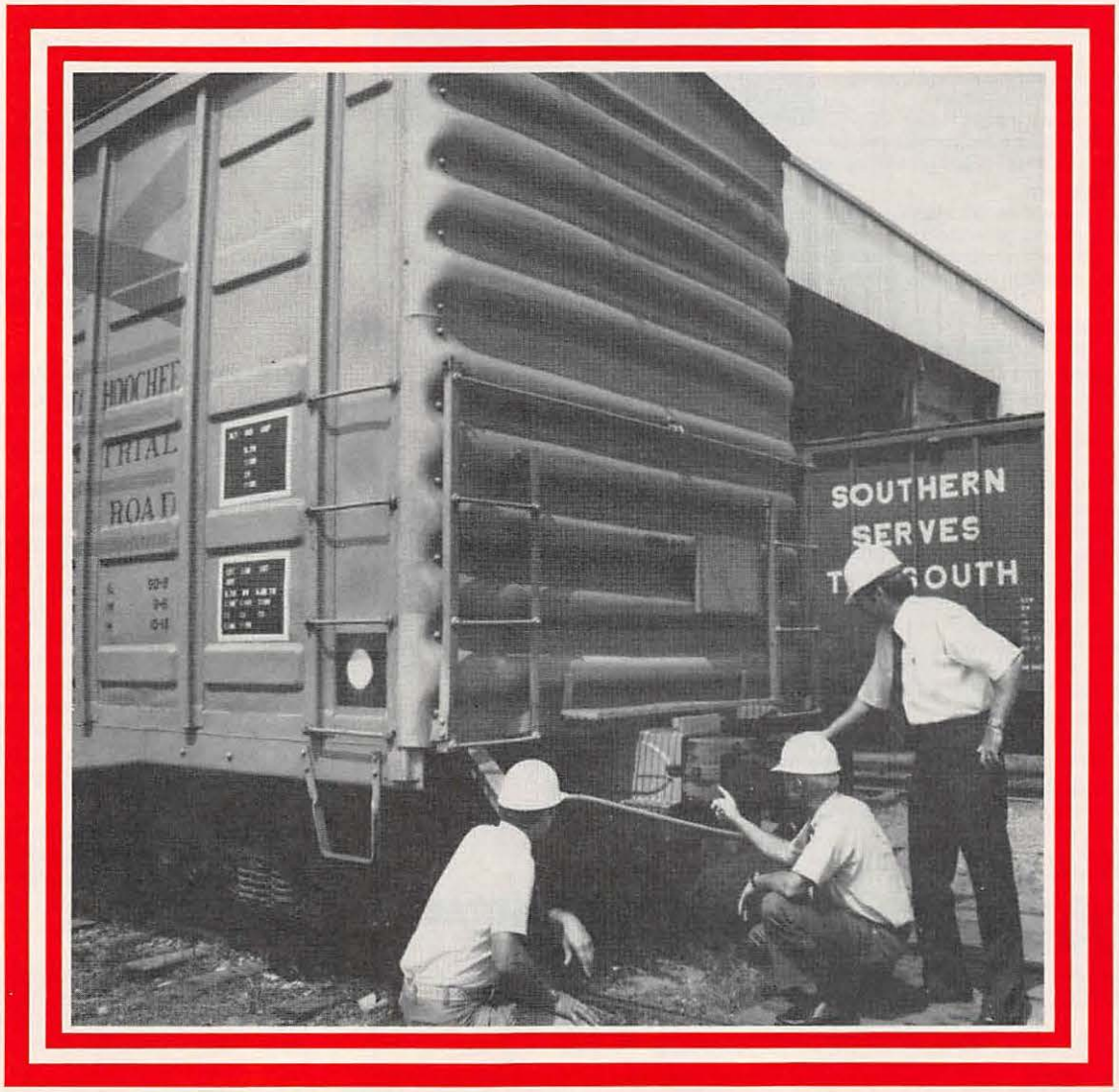


Leroy W. Bertram
Miner

Wayne R. Marley
Trinity Ind. Leasing

John Schafer
Atlantic Track

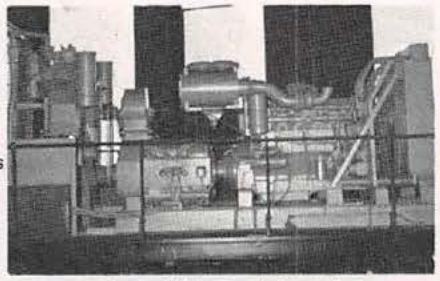
Richard B. Cochran Jr.
Bethlehem Steel

Richard J. Quilter
Standard Steel

James D. Martin
Portec

Leroy W. Bertram has joined the **W.H. Miner Division** of **Miner Enterprises, Inc.**, as assistant vice president, engineering, Geneva Ill. Mr. Bertram's experience includes 12 years with **Unarco Industries, Inc.**, and 19 years with the **Pennsylvania.**

Introducing the
SRI INDUSTRIAL CAR MOVERS
...new power for current needs.



Industrial Car Mover
The SRI Industrial Car Mover is an industrial car mover specifically designed to meet the motive power needs of industry.

Complete with new power plant and modern control circuitry, this unit will handle your requirements all the way from moving cars around the yard to critical pull-through loading.

The nominal 135 ton weight maximizes tractive effort enabling you to move more cars than with most existing switchers.

At the same time, the SRI Industrial Car Mover will offer you substantially improved fuel economy, easier maintenance at a lower than present cost, high durability and greater dependability.

Control System
The control system of the SRI Industrial Car Mover combines pneumatics with modern electronics to give you better control. This system offers infinitely variable control of engine speeds through the normal operating range thereby obtaining variable generator output.

Braking is controlled in the same fashion to get infinitely variable brake cylinder pressure up to 35 psi.

Safety Features
The SRI Industrial Car Mover is safety engineered with low speeds and high braking effort.

New Power Plant
The SRI Industrial Car Mover is powered by a Cummins "K" series diesel engine coupled directly with either a high output 4 pole, compound wound D.C. generator or a modern alternator.

The Cummins KT series engine can handle the toughest jobs. Extra-strong components provide maximum reliability and long life. Cummins K engines are designed for better fuel economy as well as long intervals between overhauls.

Available Models
SRI-450/450R Cummins KT-1150–450 horsepower
SRI-600/600R Cummins KTA-1150–600 horsepower
SRI-900/900R Cummins KT-2300–900 horsepower
SRI-1200/1200R Cummins KTA-2300–1200 horsepower

Typical Applications
• Coal Industry–Tipple Loading • Grain Industry
• Industrial Switching • Short Line Railroads
• Port Facilities • Utilities–Unit Train Unloading

Remote Control Option
The SRI Industrial Car Mover includes that equipment essential for both radio remote control and manual operation. All equipment has been designed for heavy-duty use with increased reliability.

Configuration
We offer two configurations, one with a cab and one without dependent upon your specific needs and requirements.

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NAPORANO IRON & METAL COMPANY

RAILROAD DIVISION* FOOT OF HAWKINS STREET NEWARK, N.J. 07105 TOLL FREE NUMBER 800-631-4479* 201-344-4570 TLX #138411

"PRIDE IN PERFORMANCE"™

Circle 18 on Reader Service Card

Wayne R. Marley, sales manager, Eastern Division, **Union Tank Car Co.,** has been appointed general sales manager, **Trinity Industries Leasing Co.,** wholly owned subsidiary of **Trinity Industries, Inc.** of Dallas, Tex.

Atlantic Track & Turnout Co., Inc., has opened a new sales and service center at 999 Plaza Drive, Schaumburg, Ill. 60195—Phone: (312) 843-7464. Heading up the new operation is **John Schafer,** who has transferred from the Bloomfield, N.J., headquarters. **Patrick Hoban** will work with Mr. Schafer in the capacity of technical representative.

Richard B. Cochran Jr. has been promoted to assistant manager of sales, railroad product sales, **Bethlehem Steel Corp.,** succeeding **Richard H. Jones,** recently transferred to Bethlehem's shipbuilding department as assistant manager, industrial products sales. Mr. Cochran has been a salesman in Bethlehem's Baltimore sales district office since 1972.

Richard J. Quilter, marketing manager of railroad products, **Standard Steel,** Burnham, Pa., has been named general manager-railroad sales.

James D. Martin has been appointed director of communications, **Portec Inc.,** Oak Brook, Ill. He joins Portec after 2½ years in the Corporate Communications Department of **Gould Inc.**

Ken H. Himes has been appointed sales representative for Clad Tuff and Clad Foam FRP panels, **Cor Tec,** subsidiary of **UMC Industries, Inc.,** at Cincinnati, Ohio.

James L. Newkirk, Hugh W. Stewart and **Thomas K. Dyer** have formed **DNS Associates, Inc.,** 1762 Massachusetts Avenue, Lexington, Mass. 02173—Phone: (617) 862-2075. The consulting firm will provide a variety of skills and services to help railroads and related transportation users plan for the future. Mr. Newkirk was formerly director, special projects staff, Office of the Administrator, **Federal Railroad Administration.** Mr. Stewart was vice president, Consulting Services Division, **Day & Zimmerman, Inc.** Mr. Dyer is president of **Thomas K. Dyer, Inc.**

Jerome C. Lunkes has stepped down as president, **Triangle Engine Rebuilders, Inc.** He will continue to serve as a consultant. **Edgar O. Smith** has assumed the duties of acting president. Mr. Smith was a director.

Safetran Systems Corp. has opened an eastern area sales & service office at 3600 Silverside Road, Suite F, Wilmington, Del. 19810—Phone (302) 478-9252. **Ms. Carolyn Dunnuck** is office manager.

Take charge of lightning!

Union Switch & Signal's innovative Lightning Arresters and Surge Suppressors can significantly reduce the risk of lightning-related equipment damage—by impeding high surge voltages.

Our rugged USG-A Lightning Arrester features a strong, corrosion-resistant metal body. It houses varistor material in parallel (for low voltage) or in series (for high voltage) with an air gap. Color-coded for quick rating recognition, the flexible nylon cover contains surges and reduces the possibility of physical damage from the explosive forces generated. Our arrester is built to withstand the tremendous forces set up by a discharge, and to retain its strength after multiple surges. It's self-cleaning, too.

For applications where primary arresters alone do not provide enough surge suppression, we offer USSP Surge Suppressor units. They feature a combination of primary arresters and application-coordinated secondary suppressors, all in one easy-to-install package.

Our multi-level suppressor units provide increased surge suppression, making them appropriate for use with delicate solid-state equipment. USSP Surge Suppressors cover a wide range of applications—track circuits, power lines and battery lines.

For more information, write for our new Bulletin 340, "Lightning and Railroad Signaling."

Union Switch & Signal Division
WABCO American Standard Inc.
Swissvale PA 15218

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NEW OR REPLACEMENT. HIGH-SPEED OR DRAG SERVICE. STACKPOLE TRACTION MOTOR AND MAIN GENERATOR BRUSHES WILL GO THE DISTANCE.

Over the years, Stackpole brushes have been the best choice for the demanding conditions of both new and replacement service.

The reasons are simple. Every Stackpole brush offers excellent commutation. Wafers wear uniformly for consistent, repeatable performance. Which means less downtime for maintenance.

Stackpole. The service-proven traction motor and main generator brushes that will go the distance. Mile after mile.

Make Stackpole brushes part of your locomotive consist.

Write or call for a free copy of our Commutator Classification Guide to Stackpole Carbon Company, Carbon Division, St. Marys, Pa. 15857.

Phone: (814) 781-8511. TWX: (510) 693-4511.

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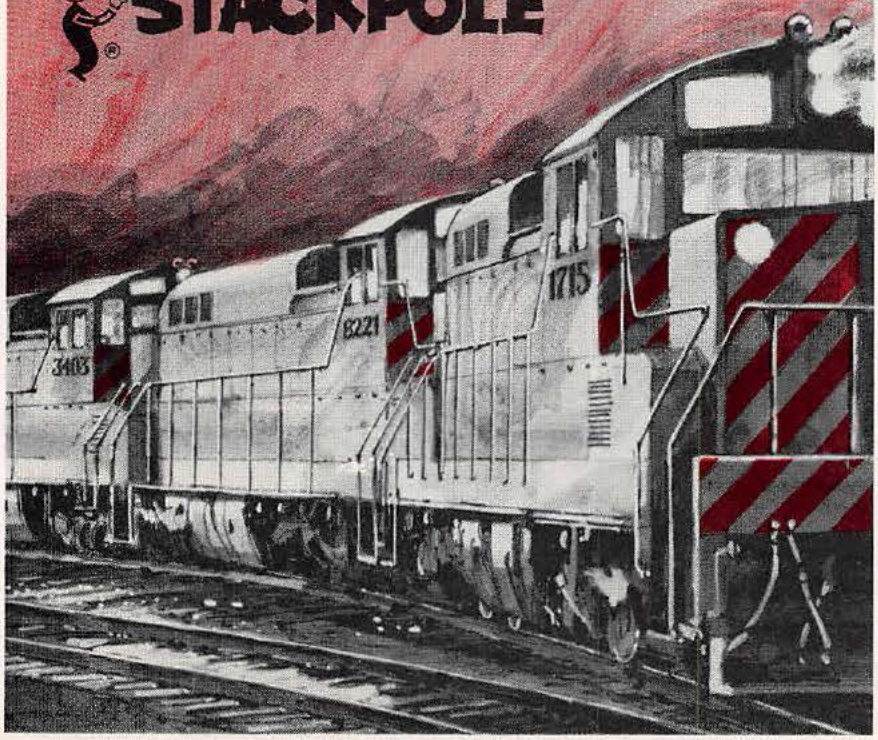


Circle 31 on Reader Service Card

Douglas A. Davis has been appointed a sales specialist, Transportation Division, **Commercial Plastics & Supply Corp.**, Cornwells Heights, Pa. He formerly supervised expediting of customer problems for a large national railroad corporation.

Robert J. Stegle, Albert R. Nolan and **Sidney Klein** have been appointed product managers, **Penetone Corp.** at Tenafly, N.J., Chicago and Los Angeles, respectively.

Midland-Ross Corp. has moved to 20600 Chagrin Blvd., Cleveland, Ohio 44122—Phone: (216) 491-8400.

Associations

ASSOCIATION OF RAILROAD EDITORS.—James H. Beck, manager of employee communications, **Union Pacific,** Omaha, elected president, ARE for 1980, succeeding **Ruben Levin,** editor and manager of Labor Newspaper, Washington, D.C. **Duncan Haimerl,** system editor, **Canadian National**'s publication, **Keeping Track,** elected first vice president. **Jerry L. Rollings,** assistant editor, **The Machinist,** published by the **International Association of Machinists and Aerospace Workers,** Washington, second vice president.

RAILWAY PROGRESS INSTITUTE.—Carl J. Schlemmer, corporate vice president and general manager, Transportation Systems Business Division, **General Electric Co.,** elected chairman of RPI. **Aurel F. Sarosdy,** president, **Pittsburgh Forgings, Co.,** elected vice chairman of RPI.

Industrial Traffic

M.B. Abernathy has been appointed vice president transportation sales, **Hydrocarbon Trading and Transport Co., Inc.,** Houston, Tex. He recently took early retirement from **Continental Oil Co.,** where he was manager, Surface Transportation Sales Division.

J. Peter Cunliffe, director of transportation, **VTN Consolidated, Inc.,** Irvine, Calif., has rejoined **PRC Harris** an assistant vice president, Orange, Calif.

Geraldine J. O'Connell, transportation assistant, **Allied Mills, Inc.,** Chicago, has been promoted to rate analyst in the corporate Traffic Department.

Obituary

E. William Hamilton, 59, district sales representative, **Clinchfield,** and vice president, **Pittsburgh Traffic & Transportation Association,** died recently.

Maxwell J. Shearer, Jr., assistant superintendent-coordinator, Osborn Yard, **Louisville & Nashville,** died Sept. 16.

Harold J. Wilson, 74, former controller, **Delaware & Hudson,** died Nov. 4 in Palo Alto, Calif.

We can handle it.

Union Pacific puts a lot of miles on new cars and auto parts before they ever hit the road.

Fast, safe and low-cost miles.

Automobile manufacturers rely on our modern high-capacity carriers and our frequent security inspections to keep new cars *new* en route.

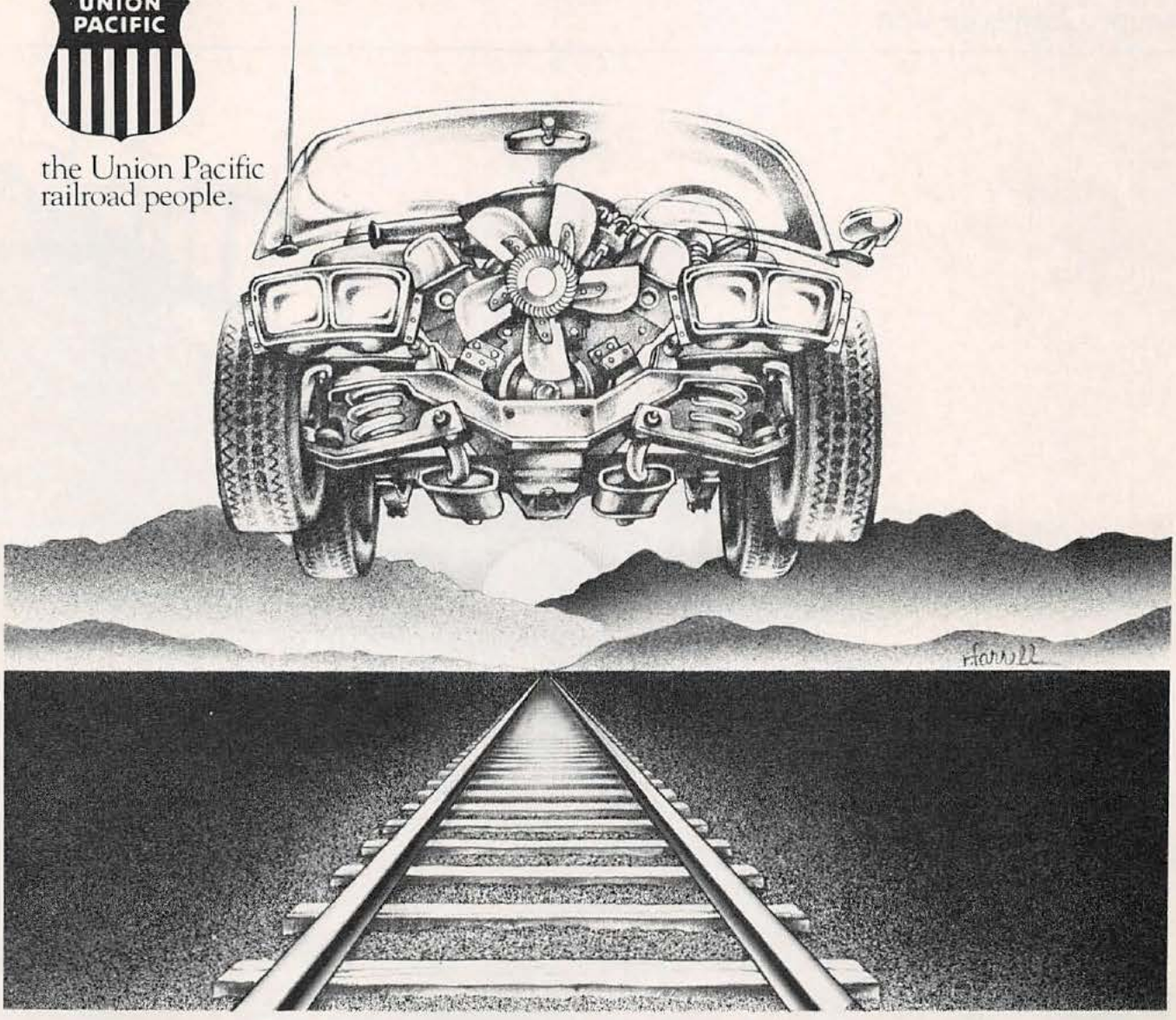
We also keep them on time. On Union Pacific, new cars and auto parts travel the nation's fastest route between Midwest gateway cities and the West Coast.

Our run-through trains by-pass terminals and use pooled locomotive power to provide high-speed schedules that help cut inventory costs for the dealer.

No matter what you ship, depend on Union Pacific to deliver it quickly and carefully in modern equipment and at competitive rates.

UNION PACIFIC

the Union Pacific railroad people.



The GATX TankTrain® system:

If you ship bulk liquids, here's something you should know about: the TankTrain system, from GATX.

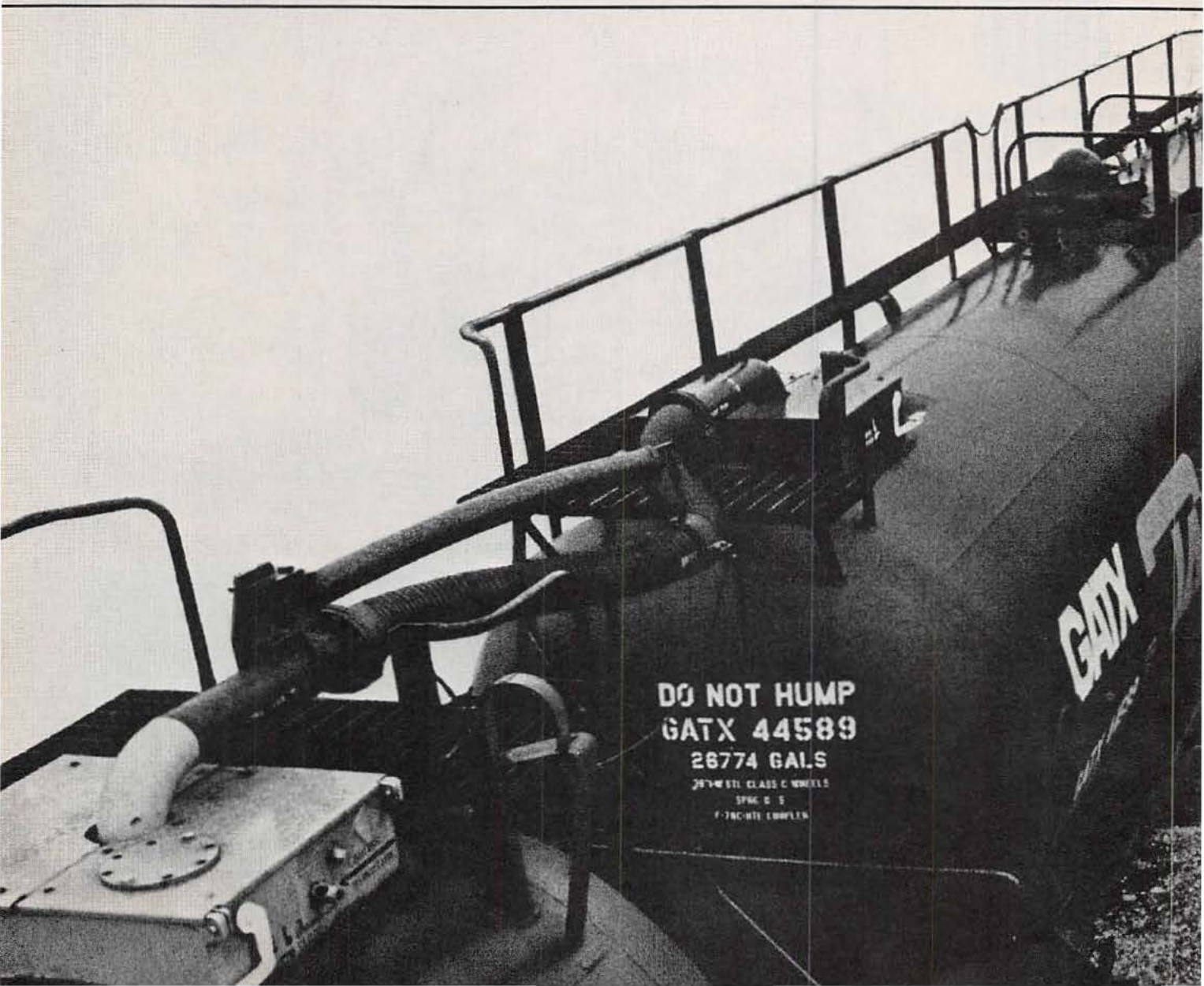
The concept behind it is extremely simple: interconnect a string of tank cars with flexible hoses, and then fill and empty the entire string from just one end connection.

The operation is equally simple.

And the results are simply phenomenal. Loading and unloading times, and manpower requirements, are reduced dramatically, resulting in significant reductions in shipping costs. Shorter turnaround time means improved utilization of equipment, for both shippers and railroads.

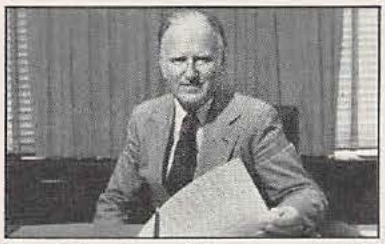
And with just one loading connection, the TankTrain system is safer than conventional cars, both for operating personnel and from an environmental point of view.

The TankTrain system is effective in a wide range of situations. It can be used with as few as three cars, or in unit train numbers. And it can handle virtually any bulk liquid commodity, from liquids as easy to handle as methanol, to such hard-to-handle commodities as superphosphoric acid.



"Talk about car utilization, we ship 1.8 million gallons a year. Per car."

Don Richardson
General Manager, Marketing Operations, Mobil Oil Corporation.



Because of its efficiency, the TankTrain system allows shippers to maximize car utilization as never before possible.

Here's what Don Richardson, General Manager, Marketing Operations, Mobil Oil Corporation, has to say about the system:

"When we put TankTrain into service, replacing our barges, running heating oil and 3 grades of gasoline from Albany up to Burlington, Vermont, I fully expected some improvement in our general tank car utilization. But, frankly, I had no idea it would improve as dramatically as it has.

We run 20 TankTrain cars. And last year, they carried 37.5 million gallons. That works out to slightly over 1.8 million gallons per year, *per car.*

That's a pretty amazing figure. Especially when you realize that every shipment goes over two different railroads... the Delaware and Hudson and the Vermont Railway.

Altogether, TankTrain has been a real plus. It's allowed us to make the most of our cars. We can maintain our delivery schedule right through winter, thereby saving all the costs of laying in a winter's supply in the fall.

And it's been great for the railroads, too, because it gives them a multi-car unit to work with, instead of lots of single cars.

Ask John Pennington, or Tom O'Brien, the guys who haul these TankTrain cars. I'm sure they'll agree with me, the TankTrain system works. Beautifully."

If you ship bulk liquid, there's a good possibility that the TankTrain system could improve your car utilization significantly.

For further information, or to arrange for a full presentation, please call GATX at (312) 621-6322. We'll be glad to answer any questions you might have about the most efficient and safest tank car system in the world. The TankTrain system from GATX.

GATX

General American Transportation Corporation/120 South Riverside Plaza/Chicago, IL 60606

Red nylon insert Elastic Stop® nuts have meant fastening integrity since 1947. The American railroad industry was one of the first to recognize and standardize on the superior capabilities of the ESNA® fastener line.

Our 32 year field and laboratory testing of the red nylon insert locking device insures the high quality and safety standards that railroads require. Samples and literature are available on request. Write Dept. T-83.

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AMERACE CORPORATION
ESNA DIVISION, UNION, NEW JERSEY 07083

Circle 33 on Reader Service Card

100 YEARS AGO IN THE RAILWAY AGE

(November 20 and 27, 1879)

The important news in the last few days in the way of railway consolidations has been the reported purchase by Mr. Jay Gould and his associates, of the Missouri Pacific, Central Branch Union Pacific, and St. Louis & San Francisco roads, and by the Wabash combination, which is generally understood to be the same thing as the "Gould interest," of the Peoria, Pekin & Jacksonville and the Chicago, Pekin & Southwestern roads. The reports of some of these purchases are not confirmed, but they are not unlikely. The railways of the country seem to be fast tending to the condition of consolidations with a limited number of powerful lines which long ago took place in Great Britain, and apparently has not been injurious to the public interest.

* * *

The telephone has leaped into importance with wonderful rapidity, and has already become an indispensable adjunct of business. One evidence of this is seen in the fact that the stock of the Bell Telephone company, which sold a year ago for fifty dollars per share, now finds ready takers at one thousand.

* * *

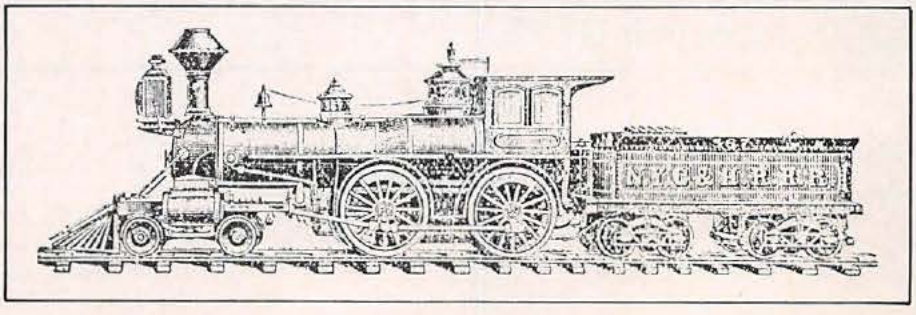
All the employes in the general office of the Wabash railway at Toledo, were notified November 22, to be ready to move to St. Louis in one week.

* * *

The Railway Race to the Pacific

Mr. George B. Carpenter writes an interesting letter to the Chicago Tribune, from New Mexico, in which he says:

Only a person who has actually traveled over the road and seen the development of the country can realize what bold audacity and almost reckless energy the management of the Atchison & Santa Fe road has displayed in pushing its line toward the Pacific coast; and only one who has for some time watched the enormous immigration pouring into the country can determine how amply the faith of these railroad pioneers is being rewarded. I was informed by Mr. Mountain, who has charge of the emigration department of the Chicago, Rock Island & Pacific road, which is the direct connection at Atchison with the Atchison, Topeka & Santa Fe railroad, that since the latter road has opened up its New Mexico extension to Las Vegas the tide of emigration and exploration has so increased that all former facilities have proved inadequate, and that such a condition of affairs actually exists I can readily believe, from the fact that the train on which I went west from Topeka was made up of eleven passenger coaches, every one of which was crowded, and the second-class cars were overcrowded, with people seeking homes in the newly opened-up territory. The energy with which the railroad is being pushed toward completion makes it outrun even this coming tidal-wave of emigration, and great gaps of unsettled country are left in its rear as colossal illustrations of the broad and continental scope of its aims and management. Imagine a railroad being built—as is actually the case between La Junta and Trinidad—so rapidly that there has been opportunity to erect but one house for a distance of eighty-three miles to mark the mighty stride taken in the race toward the Pacific. The road was opened only the 4th of last July to Las Vegas, and by January 1 it will have been pushed all the way to the Rio Grande river, with a branch running to Santa Fe. Mr. Frank Springer, who is the attorney for the road in New Mexico, and from whom I received much valuable data and information regarding the territory, assured me that the same restless energy and resistless march would characterize the advance through the wild and unexplored country west of the Rio Grande down into old Mexico, through some portions of which they expected to escort their army of workmen with an armed guard of self-organized militia. It is quite evident to anyone who has been to "the front" that notwithstanding the rumors of a "consolidation" with the Southern Pacific, which is pushing through Arizona eastward, Mr. Strong has no intention of stopping his road this side of Sonora bay, thereby to lose the advantage of the thousand or more miles shorter route to the Pacific and China trade which that terminal point will give him. The evidences of permanency exist on every hand, not the least of which is the completion of the tunnel through the Ratoun mountains south of Trinidad, and which while it robs the traveler of the exciting and picturesque ride over the mountain by means of the old "switchback," helps to shorten the trip several hours, and saves the company an immense expenditure formerly required in hauling their cars over an almost Alpine range.



OH, WE'VE BEEN WORKING ON THE RAILROADS.

When the railroads started using diesels, they used our batteries to start those diesels —and they've been using them ever since.

A reason is reliability. The railroads have come to count on KW for dependable batteries because they require practically no maintenance and they don't know the meaning of "downtime." Our rugged monoblocs are designed for trouble-free diesel starting even on the coldest days and with the balkiest of engines.

WORK WANTED
Reliable, energetic self-starter seeks hard work lifting and moving things. Ready when needed — days, nights or both. Excellent work history. Call or write:
KW BATTERY COMPANY
3555 Howard Street
Skokie, Illinois 60076
312-982-8346

Drop us a line if you'd like to know more about our work on the railroads.

We're pretty proud of our track record.

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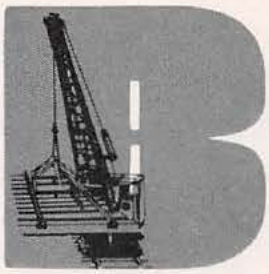
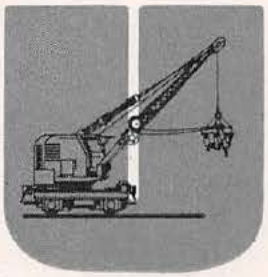
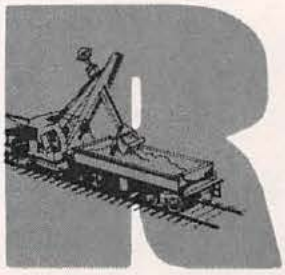
KW BATTERY COMPANY



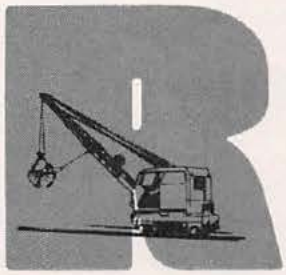
PANEL TRACK HANDLING



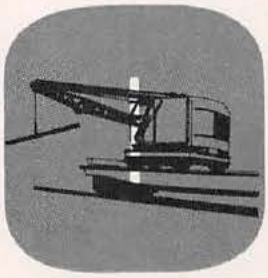
WORKING WITH MAGNET



DITCHING



CLAMSHELL BUCKET



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. . . a railroad crane that does everything you expect, and MORE!

Makes "tough" maintenance-of-way projects easier, saves time and labor.

Versatile and dependable BURRO sets up quickly and gets the job done faster, safer and more economically with bucket, dragline, hook, magnet, pile driver, tongs or threaders. BURRO even hauls its own work train and maintenance-of-way personnel to provide work power when and where you need it.

Find out how adding a BURRO to your crew will multiply your efficiency and cut your costs.

. . . serving Railroads and Industry with BURRO Cranes and Maintenance-of-Way Accessories.

BURRO

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Chicago, Illinois 60623

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for any metal marking indoors or outside

Get permanent metal marking, numbering, coding — with the handy, low cost NISSEN 6" writing tube. The non-clogging ball point makes application easy.

- it writes on any metal and any metal surface — rough, smooth, wet, oily or dry.
- the special, fast drying opaque ink won't chip, peel, fade or rub off and it withstands heat, weathering.
- select from twelve bright inks, three different ball point sizes for making fine or broad lines.
- we also offer a "Low Chloride" marker for marking critical metals without harm.

Write, wire or call to order or for further details.

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Glenside, Pa. 19038 Phone: (215) 886-2025 Telex: 83-1445

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29 E. Madison St. (312) 641-5815
Robert D. Bartley, Regional Mgr.
Glen A. Schleuter
Regional Sales Mgr.

Pittsburgh, Pa. 15237
3232 Babcock Boulevard
(412) 931-8552
Ronald M. Giallonardo,
Regional Sales Mgr.

Omaha, Neb. 68102
1809 Capitol Avenue
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Reid Kenedy, Vice President

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Orpington
Mr. Kenneth J. Hendry
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Telex: 896228

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Gerard Lasfarques
32 Rue Desbordes Valmore
Telephone: 504-9794

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Guido De Ferrari
Via A Vannucci 77
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Market

CARLOADINGS

Loadings of revenue freight in the week ended Nov. 3 totaled 487,449 cars, according to the Association of American Railroads. This was a decrease of 21,977 cars, or 4.3%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Nov. 3 are estimated at 18.3 billion, a decrease of 1.8% below the corresponding week of 1978.

REVENUE FREIGHT CARLOADINGS

Commodity	Nov. 3 week	Oct. 27 week
Grain	31,856	32,563
Farm products	5,656	6,110
Metallic ores	33,204	32,654
Coal	115,786	117,112
Crushed stone, gravel & sand	17,437	17,671
Nonmetallic minerals	15,532	17,577
Grain mill products	18,619	18,962
Food and kindred products	19,432	20,050
Primary forest products	20,836	21,580
Lumber & wood products (except furniture)	11,228	11,286
Pulp, paper & allied products	22,187	22,018
Chemicals & allied products	28,523	28,105
Petroleum products	5,883	5,971
Stone, clay & glass products	19,062	19,702
Coke	5,695	5,790
Metals & products	19,640	17,577
Motor vehicles & equipment	22,247	21,920
Waste & scrap materials	13,829	13,280
Forwarder & shipper assn. traffic	13,169	13,175
All other carloads	47,236	47,667
LCL traffic	392	427
Total cars loaded	**487,449**	**491,197**

Cumulative total,	1979	1978
44 weeks	20,366,994	19,718,989
Estimated revenue ton-miles (billions)		
44 weeks	762.5	722.9

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Oct. 27 totaled 38,173 cars (2.1% below the corresponding 1978 week) and 68,495 trailers or containers (up 2.3% from 1978). Cumulative volume for the first 43 weeks of 1979 is 1,549,337 cars (up 1.9% from 1978) and 2,735,695 trailers or containers (up 4.1% from 1978).

CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the seven-day period ended Oct. 21 totaled 5.95 million tons (up 7.1% from 1978). Cars loaded totaled 87,985 (up 6.1% from 1978). Cumulative loadings for 1979 were up to 212.1 million tons (up 10.5% from 1978).

● *Amtrak.*—A two-year improvement program calls for acquisition of 200 new low-level cars, to be ordered early in 1980 and estimated to cost nearly $200 million; 59 new diesel locomotives—30 in 1980 and 29 in 1981—at a cost of $50.9 million; and 47 AEM7 electric locomotives (of which 30 have already been ordered), valued at $57.2 million. The program also calls for conversion of older, conventional cars to all-electric heating and air conditioning at a cost of $62.5 million. Approximately $43.8 million will be spent on maintenance facilities, and $30.9 million is earmarked for station improvements and on-board service facilities.

● *CP Rail.*—Ordered 200 newsprint boxcars and 250 coal gondolas from National Steel Car at a cost of approximately $23 million, for delivery in late 1980.

● *Seaboard Coast Line Industries.*—Equipment program for 1980 calls for acquisition of 6,300 new freight cars and 115 new diesel-electric units at a total cost of $370 million. This compares with 1979 new-equipment outlays totaling $248 million. The 1980 freight car program includes 2,000 covered hopper cars to be used for hauling phosphate, grain, and other bulk commodities; 2,000 boxcars, principally for hauling paper, auto parts, and general merchandise; and 2,300 open-top hopper cars for hauling coal. SCLI will acquire 54 four-axle road freight locomotives and 61 six-axle, heavy tonnage units.

● *Freight cars and locomotives.*—The following report has been received from the AAR and the ARCI:

DELIVERED

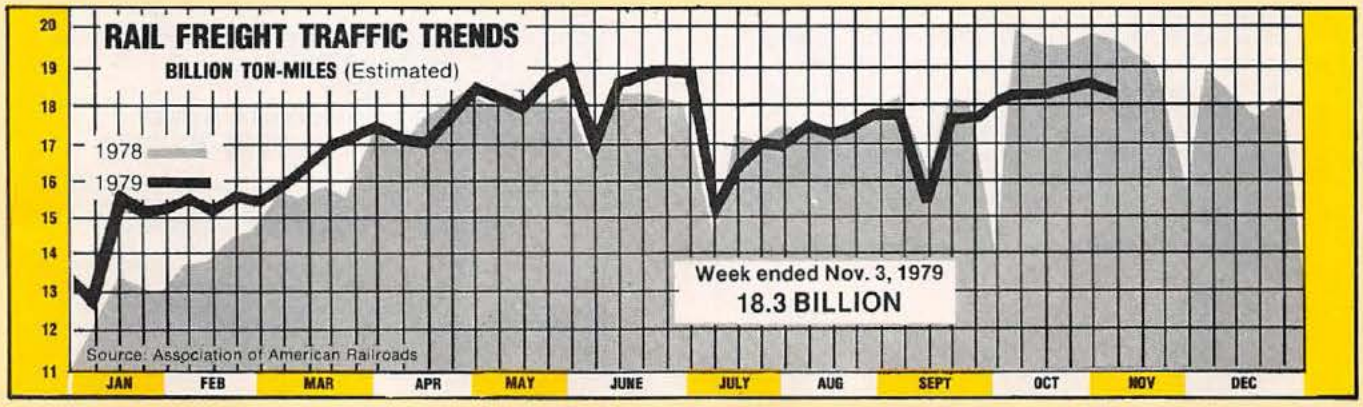
	September 1979	September 1978	August 1979	Nine Months 1979	Nine Months 1978
Built new by carbuilders	6,618	5,533	7,753	61,965	43,681
Built new in RR shops	250	409	298	3,462	3,577
Built new—total	6,868	5,942	8,051	65,427	47,258
Rebuilt	94	3	104	1,516	1,290
TOTAL DELIVERED	**6,962**	**5,945**	**8,155**	**66,943**	**48,548**
Locomotives (new and rebuilt)	269	80	159	1,381	920

ORDERED

To be built new by carbuilders	10,881	8,911	7,519	95,363	96,080
To be built new in RR shops	850	1,650	1,200	3,663	2,150
To be built new—total	11,731	10,561	8,719	99,026	98,230
To be rebuilt	155	0	191	800	122
TOTAL ORDERED	**11,886**	**10,561**	**8,910**	**99,826**	**98,352**

ON ORDER AND UNDELIVERED

	October 1 1979	October 1 1978	Sept. 1 1979	Average Backlog 1979	Average Backlog 1978
To be built new by carbuilders	121,375	81,423	117,305	113,337	55,508
To be built new in RR shops	6,512	5,777	5,912	5,626	5,394
To be built new—total	127,887	87,200	123,217	118,963	60,902
To be rebuilt	171	108	110	111	550
TOTAL ON ORDER	**128,058**	**87,308**	**123,327**	**119,074**	**61,452**
Locomotives (new and rebuilt)	677	891	723	1,025	726



MARYLAND DEPARTMENT OF TRANSPORTATION
STATE RAILROAD ADMINISTRATION
NOTICE TO CONTRACTORS

November 15, 1979

(THIS IS A REBID. ALL BIDS SUBMITTED ON AUGUST 3, 1979 IN RESPONSE TO THE PREVIOUS ANNOUNCEMENT OF THIS PROCUREMENT WERE REJECTED BY THE STATE RAILROAD ADMINISTRATION [SRA]).

Rebuilt Railroad Diesel-Electric Locomotive Procurement:
Contract No. SRA 2101-09

Sealed Bids will be received from bidders until 2:00 p.m. Friday, January 11, 1980. Bids shall be addressed to the State Railroad Administration, P.O. Box 8755, Baltimore-Washington International Airport, Maryland 21240, and marked "Bid for Rebuilt Railroad Diesel-Electric Locomotive Procurement, Contract No. SRA 2101-09". At that time, the bids will be opened publicly and read aloud at a location at the above address.

The Procurement will be, at SRA's option, for one of the following combinations of units:

1) Five (5) Rebuilt Locomotives with Head-End Electric Hotel Power.
2) Five (5) Rebuilt Locomotives with Head-End Electric Hotel Power and Four (4) Rebuilt Locomotives Carbodies with Cab Control only.
3) Five (5) Rebuilt Locomotives without Head-End Electric Hotel Power and Five (5) Rebuilt Locomotive Carbodies with Control Cab and Head-End Electric Hotel Power.

All powered Locomotives will be rated at 1800 horsepower and all equipment will be assigned for push-pull operation in commuter service being operated by the Baltimore and Ohio Railroad.

Bid and Contract Documents, including: Notice to Contractors; Bid Forms and Documents; Contract Documents; General Provisions; Special Provisions; and Technical Specifications may be examined at the State Railroad Administration, Maryland Department of Transportation, located on Elm Road at Baltimore-Washington International Airport, Maryland (Mr. James A. Emery). Copies of the Bid and Contract Documents may be obtained from the State Railroad Administration at the above address upon receipt of a check payable to the State Railroad Administration in the amount of $5.00 for each set of documents.

A pre-bid meeting will be held on Wednesday, December 12, 1979 at 2:00 p.m. local time in the State Railroad Administration offices for the purpose of explaining the procurement and answering questions of parties interested in contracting for the Work.

Bids must be submitted on the proper forms, furnished by the Administration and must be accompanied by a completed Contractor's Questionnaire — Pre-Award Evaluation Data Form.

Each bidder must also deposit with his bid:

1) A non-collusion affidavit.
2) A bid bond in the amount of 10% of the specific total dollar value indicated on the proposal bid.
3) A bid letter from the cosigned Surety confirming that Payment and Contract Bonds will be furnished if the bidder is awarded the contract.

The Administration reserves the right to reject any and all bids and waive technical defects if, in its judgment, the interests of the Administration so require.

Contracts resulting from bids submitted are subject to a financial assistance contract between the Maryland Department of Transportation and the U.S. Department of Transportation.

All bidders will be required to certify that they are not on the U.S. Comptroller General's List of Ineligible Contractors.

Bidders on this Work will be required to comply with all applicable Equal Employment Opportunity Laws and Regulations.

The State Railroad Administration hereby notifies all bidders that it will affirmatively assure that in regard to any Contract entered into pursuant to this advertisement, minority business enterprises will be afforded full opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, sex, age or national origin in consideration for an award.

Any bid received after the time and date specified will not be considered.

Charles H. Smith
Administrator

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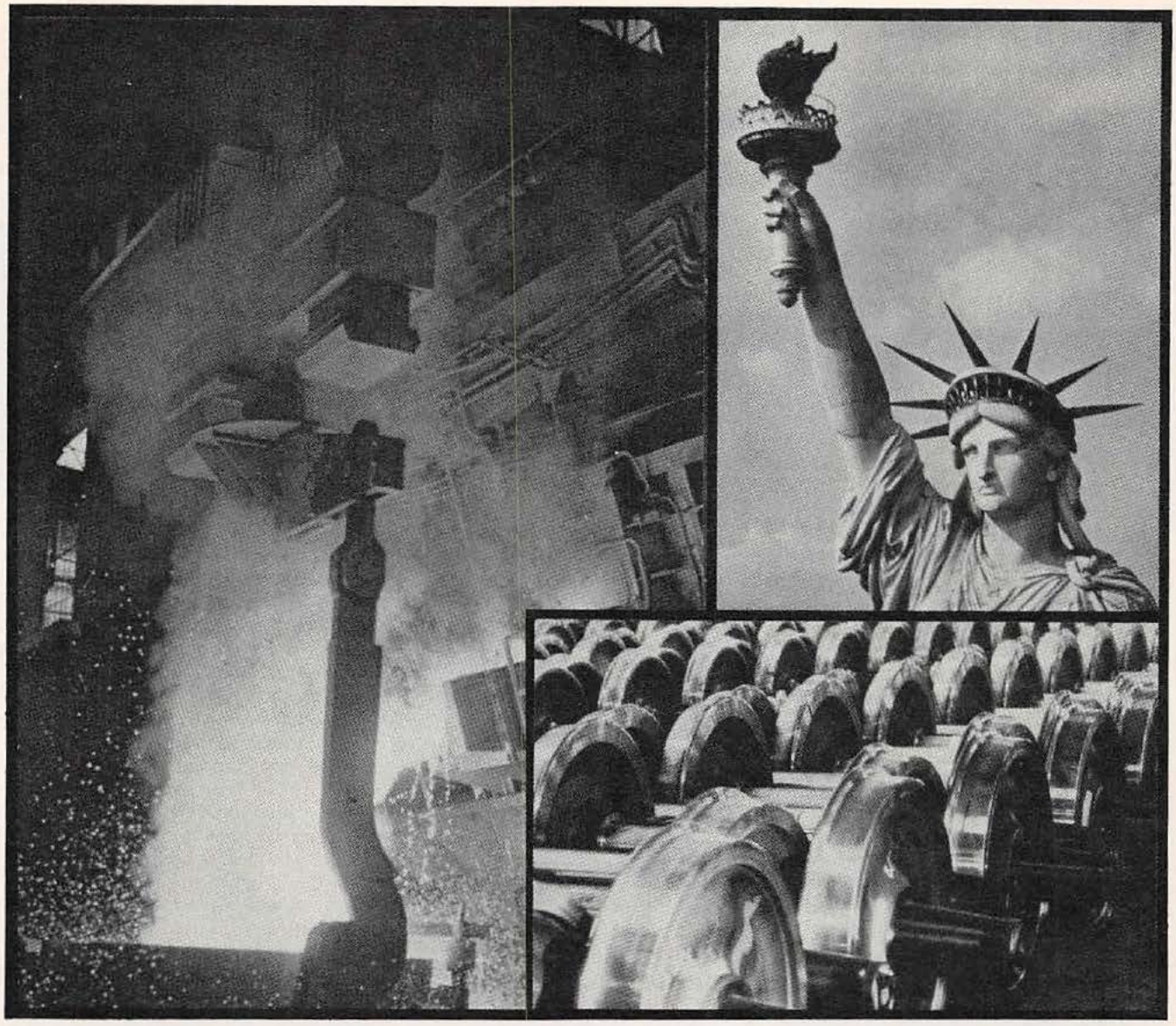

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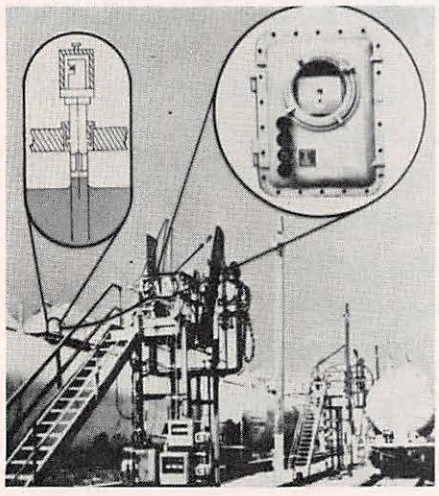
Circle 5 on Reader Service Card

Products Report

Tie butt handler

A new Tie Butt Handler offered by Bankhead Enterprises, Inc., travels on either track or highway and can also do ditching and other related work. The TBH 100 has an elevated operator's seat that moves to either side of the unit and from which a single operator controls movement of the unit along the track, maneuvering of the dump body, and operation of the crane as a tie-loader or as a ditcher. The 15-cubic-yard dump body rotates through 180° and is fitted with a 6-foot belt conveyor that permits dumping from a distance of 12 feet from the track centerline. The operator can set the automatic transmission for speeds up to 35 mph, forward or backward, on track. Legal for highway travel, the unit can clear for a passing train by simply raising the rail guide wheels at a road crossing.

Circle 60 on Reader Service Card



Closed tank car level gauge

A new system offered by Drexelbrook Engineering Co. to solve problems in gauging material levels in closed tank cars also provides instant readings, saving work time. The AAR-approved system uses a stainless steel sensing rod mounted in the tank car, a connecting cable, and an electronic unit mounted on the loading dock, away from shock and vibration. It can be installed and calibrated by regular personnel and requires no periodic calibration. The sensing element is bolted or welded to the manway cover in the tank car. All wetted parts are stainless steel or Teflon coated, for use with the most corrosive and toxic materials, and Cote Shield circuitry ignores material buildup on the sensing element, so the system can measure highly viscose materials. While the car is at the dock, a self-recoiling cable with quick connect/disconnect fittings connects the electronics unit to the sensor. A push-to-test self-check system verifies that the unit is working accurately. The gauge compares variations in the minute electric current flowing from sensor to car wall as the material is loaded. The output operates alarm lights, an indication meter, and a variety of other accessories.

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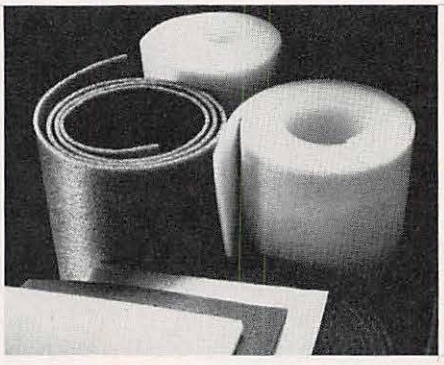

Plastic foams

Closed-cell polyethylene foams in a wide range of physical properties for applications such as flotation, insulation, soundproofing, lamination, packaging, parts separation, cushioning, and so on are offered by Conwed Corp. in forms to meet customer specifications. Standard properties include densities from 1 to 3 pounds per cubic foot, thickness from 1/32 to ½ inch, and roll widths up to 84 inches. Standard color is water white. Colored products and products with improved ultraviolet resistance and fire retardance are available.

Circle 62 on Reader Service Card

Tank car fire protection

Flame-retardant insulation for tank cars is one of many applications for an asbestos-free fibrous material offered by The Carborundun Co. Fiberfrax ceramic fiber, available in forms including blanket, felt, paper, textiles, board, and coating cements, is made from an oxide of alumina and silicon and melts at 1,760°C (3,200°F). In ASTM-E-84 "Flame Spread Characteristics" tests, Fiberfrax products were found to have the lowest rating of all tested for flame spread, fuel contribution, and smoke developed.

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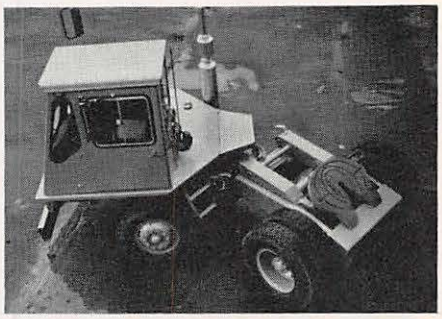

Maneuverable yard tractor

A new articulated-frame yard tractor offered by the Ottawa Truck Division of Gulf & Western Manufacturing Co. is said to boost terminal productivity and lower operating costs through increased maneuverability. Dock Truck has a turning radius of just over 14 feet. Fifth-wheel elevation of 32 inches (16 inches higher than usual) plus low fifth-wheel down height provides safer, easier towing of trailers over most surfaces. An oscillating center joint allows wheels to follow road surface contours and provides a smooth ride, with rear wheels remaining firmly on the ground for good traction. Has a tilt cab with Reverse-N-Drive operation, simplified operator controls, and emergency steering pump.

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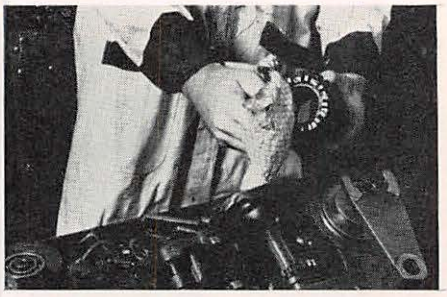

Wipers for railroads

Industrial wipers with the necessary low linting, high capacity to pick up oils and grease, solvent strength, and pliability for railroad use are offered by Chicopee. The MASSLINN Shop Towel line provides low-cost white wipers with no contaminants in the fiber, absorbing up to seven times their own weight in liquids, strong and durable even when used with solvents, and soft enough for personal use as well as light-duty industrial wiping. The MASSLINN Industrial Towel line provides heavier and bulkier wipers with greater absorbence of oils, grease, and all liquids; abrasive resistance; compatibility with industrial solvents; durability

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through repeated uses; and softness for personal use. The RETICULON Industrial Wipes replace baled rags for non-critical wiping when overhauling locomotive air brakes and use in the strip shop for cleaning diesel engine parts. These wipers are reinforced for scrubbing without abrasion; have the highest capacity to pick up oils, grease, and debris; and are soft enough for personal use. A free Cost/Performance Comparison Kit and samples are available.

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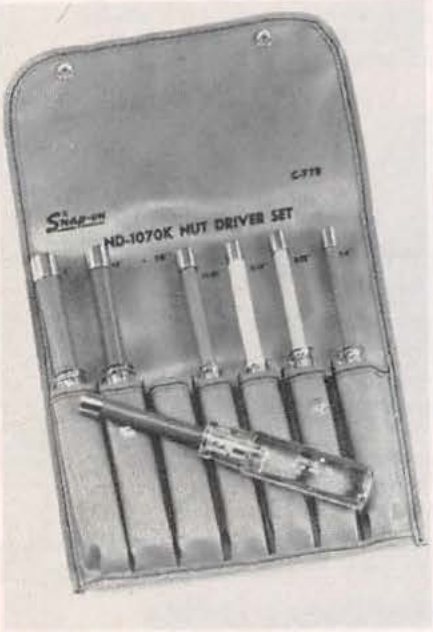

Nut driver sets

For use on final assembly work, Snap-on Tools Corp. offers (1) the Snap-on N1070K Nut Driver Set of seven drivers in sizes ranging from ¼ inch to ½ inch and (2) the NDM1090AK Metric Nut Driver set of nine drivers ranging from 4 to 13mm. Both sets have six wrench openings with a recessed-crown handle so the driver can be pushed with the index finger while it is turned.

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Pressure washer

A new hot water pressure washer that discharges 1,500 pounds of boiling water an hour at 650 psi is offered by The Rockland Corp. at substantial discount. The Rockland Model 980 includes an automatic burner and portable gear.

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Crossover bridge

The bascule or crossover bridge for rail crossovers offered by Autoquip Corp. has an exclusive safety lock that prevents the bridge from accidentally lowering even if left raised for extended periods of time. The hydraulically activated safety latch is mounted under the clevis end of the bridge. The wings rest in a 24-inch cut out when the bridge is raised to 90° vertical position. Single- and double-leaf models are available and can also be used as folding loading docks or ground-level-to-dock ramps. Features include nonskid steel decks, chrome-plated heavy-duty rams, six-inch wheel curbs, constant pressure pushbutton controls, magnetic motor starter, control transformer, continuous duty motor, self-contained power unit, and weatherproof power unit cover.

Circle 68 on Reader Service Card

New Literature

WHEEL DETECTOR. A data sheet offered by General Railway Signal Co. describes the new GRS wheel presence detector for class yards and main lines that detects wheels at speeds of 0 to 150 mph.

Circle 80 on Reader Service Card

WHEEL SET REPAIR. A 4-page brochure offered by Abex Corp.'s Railroad Products Group describes its new facility in Corsicana, Tex., for repair and exchange of freight car wheel sets, especially those from unit coal train cars.

Circle 81 on Reader Service Card

RAIL DEFECT STATISTICS. An 8-page Annual Statistical Issue of *Al Sperry Railer,* offered by Sperry Rail Service, sums up the 1978 findings of its detector car fleet so that an individual client railroad can compare its results with the averages and totals recorded by Sperry in North America.

Circle 82 on Reader Service Card

BRIDGE COATINGS. A 4-page brochure offered by Subox Division of Carboline Co. describes its one-coat system for atmospherically exposed railroad bridges, using Subox and Subalox self-priming coatings, which age by a gradual erosion process resulting in a repaint surface relatively free from peeling and blistering.

Circle 83 on Reader Service Card

STRESS ANALYSIS. A brochure offered by the Research & Development Division of Miner Enterprises, Inc., describes the principles and capabilities of its photoelastic stress analysis service for product improvement, plus its railcar-impacting facilities and other testing equipment available at the railroad test laboratory.

Circle 84 on Reader Service Card

CAR REPAIR. A 6-page brochure offered by FreightMaster describes the capabilities and facilities of its Quick-Car services in five locations for repair and programmed maintenance of freight cars and unit trains, plus its system for helping unit train operators achieve maximum utilization

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EQUIPMENT ENCLOSURES. A 4-page brochure offered by Western Power Products, Inc., describes its line of rust-free, maintenance-free, Powerglass enclosures, for railroad hose houses, radio repeater stations, etc., and gives dimensions for 14 standard production models.

Circle 86 on Reader Service Card

DOCK BOARDS, RAMPS. A 4-page guide offered by Rampmaster, Inc., tells how to order railboards, ramp-boards, and similar loading dock accessories.

Circle 87 on Reader Service Card

BUILDING MAINTENANCE. A 64-page catalog offered by Randustrial Corp. covers its 120 roofing, flooring, and general maintenance products.

Circle 88 on Reader Service Card

SAFETY. A 12-page brochure offered by Harris Calorific outlines proper use of gas flame cutting and welding equipment, suggests safety rules, and encourages use of Flash Guard Check Valves to prevent reverse flow, which may cause explosions.

Circle 89 on Reader Service Card

SOUND POWERED PHONES. A 4-page brochure offered by Sound Powered Communications Corp. describes its new sound powered field telephone and expanded line of accessories, plus sound powered headsets, handsets, and intercom stations.

Circle 90 on Reader Service Card

VACUUM CLEANER. A brochure offered by NFE International Ltd. describes Hi-Vac Model 310, a compact industrial vacuum cleaner for clean-up or recovery of materials in hard-to-reach places, at rates up to 3 tons per hour depending on the material.

Circle 91 on Reader Service Card

LOADING DOCK SEAL. A bulletin offered by AirLocke Dock Seal explains time and labor savings with the Twist Lock quick installation and removal method now used on its Instant Seal (for truck docks) and Rail Seal units.

Circle 92 on Reader Service Card

WELDING. Two catalogs offered by Lincoln Electric Co. describe 32 low-cost books and aids available in the field of arc welding.

Circle 93 on Reader Service Card

CLEANERS. Cleaning and maintenance agents for general and specific railroad uses, including passenger cars and locomotives, are described in a flyer offered by the maintenance Chemicals Group of HEXCEL/Specialty Chemicals.

Circle 94 on Reader Service Card

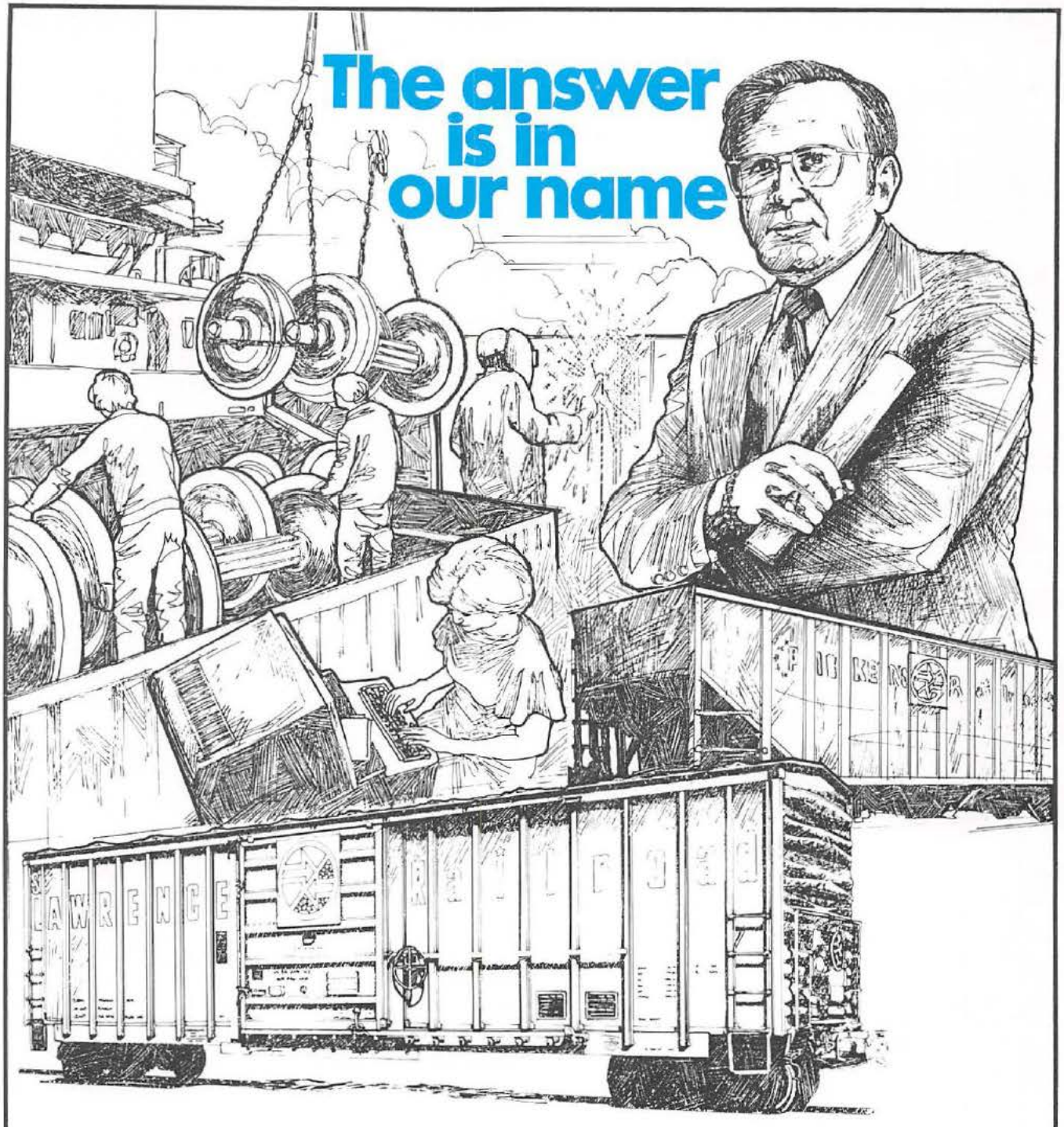
TELECOMMUNICATIONS. A 36-page products catalog offerd by GTE Lenkurt, Inc., describes every major product in its line of video, voice, and data transmission systems.

Circle 95 on Reader Service Card

CABLE CONNECTIONS. A new line of mass-terminated cable connectors, installation tools, and accessories is described in a bulletin offered by the Electronics Group of Panduit Corp.

Circle 96 on Reader Service Card

The answer is in our name



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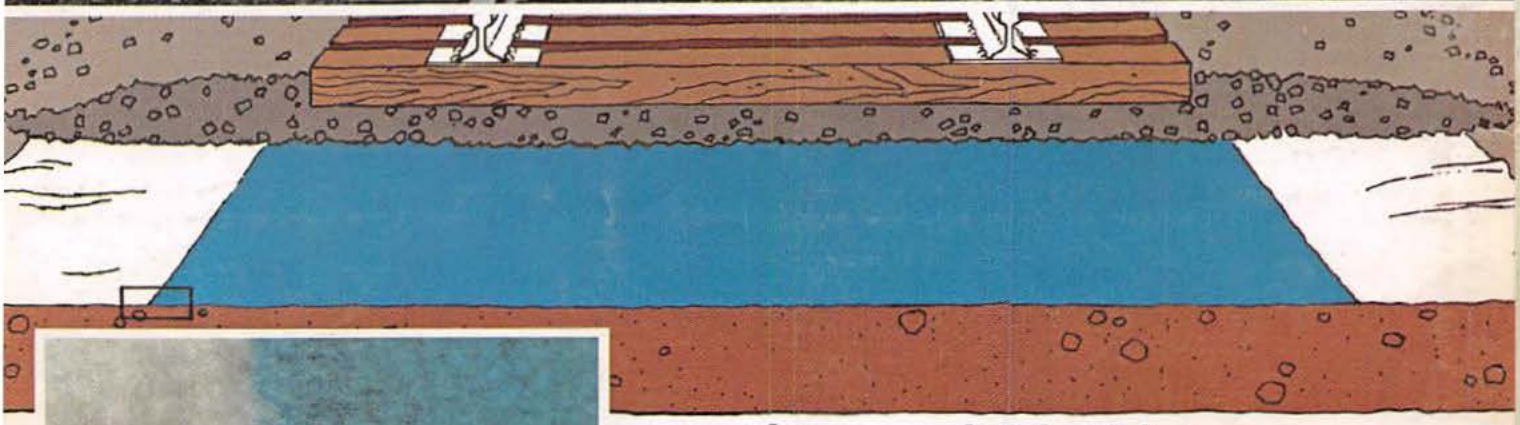

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Unique because True Tex™ VT Series engineering fabrics are really two fabrics in one. A heavy thickness in the track area with a special heavy-duty abrasion resistant coating, to accommodate load stress . . . and a lighter thickness on the shoulders (see inset) to prevent ballast contamination and promote even drainage.

Made of a 100% polyester non-woven needle punched fabric, True Tex™ VT Series engineering fabrics are designed and developed specifically for railroad applications including mainline trackage, crossings, frogs, and switches.

True Tex™ VT Series engineering fabrics are highly resistant to tears, puncture, abrasion, and virtually unaffected in full temperature ranges. They stabilize poor load-bearing soils, support overburden, and distribute load stress evenly. They provide improved water transport and drainage . . . filter fine sand and soil particles to prevent clogging and contamination, and are not affected by oil, rot, or mildew.

In addition to the VT Series, True Tex™ engineering fabrics are available in two other series . . . the MG Series, or Multi Grade, for road construction, erosion control, and drainage applications in general construction . . . and the IT Series, or Impregnated Textile, for pollution control, oil containment, and collection and recovery systems.

True Tex™ engineering fabrics . . . as good, and better than any other engineering fabric available today.

TYPICAL PHYSICAL PROPERTIES . . . VT SERIES

PROPERTY	VALUE		TEST METHOD
	SHOULDER	TRACK	
Grab Tensile, lbs.	80	175	ASTM D-1682
Grab Elongation, %	125	100	ASTM D-1682
@10 lbs, %	40	5	
@25 lbs, %	70	20	
Trapezoid Tear, lbs	50	100	ASTM D-2263
Mullen Burst, lbs	175	+300	Mullen Test
Thickness, mils	100	125	ASTM D-1777
Width, inches	30-30	90	
Abrasion Resistance, lbs	50	75	Tabor Test ASTM D-1175
Puncture Resistance, lbs	50	140	ASTM D-751
EOS	70	140	C of E test
Air Permeability, cfm	250	150	ASTM D-737

MAIL TODAY! I want to find out more about TRUE TEX™ Engineering Fabrics!

☐ MG Series ☐ VT Series ☐ IT Series
☐ Mail information and literature
☐ Have a representative call and deliver sample

Railway Appliance Division, True Temper Corporation
1623 Euclid Avenue, Cleveland, Ohio 44115

Name _____
Title _____
Company _____
Address _____
City _____
State _____ Zip _____
Telephone _____

RA1179

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